

**Press Conference**  
**U.S. Trade Representative Robert B. Zoellick**  
**Minister Alec Erwin – AE**  
**South Africa Department of Trade and Industry**

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**Radisson Hotel Waterfront**  
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(begin transcript)

**Minister Erwin** Well, thank you very much everyone. It is really a pleasure for me to welcome Ambassador Zoellick, both as the Ambassador, United States Trade Representative but as a friend – we argue from time to time, but we remain very friendly and I am going to ask him to outline the trip he's made, a very important trip and a very important initiative in South Africa's view, of trying to establish contact across many countries. So I am going to ask Ambassador Zoellick to outline what he has been doing, say a little bit about our discussion and I will say a bit about our discussion as well, which has been a good one.

**USTR Zoellick** Thank you, Alec. Well as many of may know, I wrote a letter to my ministerial colleagues in the WTO in January that was based on my sense that in the aftermath of the Cancun meeting a number of countries felt we had missed an opportunity but they were somewhat uncertain of how effectively to re-engage. And so I wanted to stress that on the part of the United States, even though it is election year as it is here, that we did not want 2004 to be a lost year. And that indeed I thought there was the possibility of coming together and making some important progress. And in that letter I set out what I thought were some, a common sense assessment I called it, of what we needed to do to move forward and I emphasized some points such as the fact that agriculture has been and always will be a key to this negotiation and we are going to need to find a way to eliminate export subsidies and the subsidy element of export credits. I also said that it was my assessment that the so-called Singapore issues, that new set of issues that had been put on the table were going to be too much of a problem particularly for a number of countries in Africa but others, that I suggested that we just focus on trade facilitation.

But I recognize that the points in that letter were just the view of one country and so I said that early in the year I want to try and visit a number of countries to be able to get a sense of what other ideas people had and how we might be able to move forward. So on this trip I have had a chance to visit Tokyo and Beijing. I then was in Singapore where I met a number of South East Asian countries (??); also the minister from Sri Lanka came to see me there. Then I visited Islamabad in Pakistan and yesterday I was in Delhi where I had a good meeting with Minister Jaitley. So we had a long flight down to Cape Town and then tomorrow I will be going to Mombasa where Minister Kituyi of Kenya has arranged a meeting of a number of countries from Sub-Saharan Africa that not only I will attend, but Commissioner Lamy of the European Union and Director General Supachai.

And then I am going on to Geneva, the headquarters of the WTO, to talk to a number of ambassadors there and then I will stop briefly in Paris also to talk to Commissioner Lamy. And then within about two days I will be going to Costa Rica because there is a meeting of the Cairns Group, the agricultural exporting countries and that will give me a chance to meet a number of countries in Latin America that I have been seeing over the past couple of months but didn't have a chance to see on this trip. Now as Alec mentioned I think this was a very helpful discussion for me. As all of you know minister Erwin knows the subject matter very well and so it allowed us to get into some detail on some of these ideas, some of the topics that we have discussed with the G20 on agriculture and get a sense of how we can move forward together, but we also discuss the goods and the services and the Singapore issues. And I think as Minister George Yeo said in Singapore, we need to find a way to try to take the discussions that various capitals have been having and the discussions that have gone forward in Geneva and try to bring them together perhaps in the summer of this year and see if we can establish a framework that we were unable to do when we were in Cancun.

So the discussions that we had today did not focus on our SACU Free Trade Agreement as we both acknowledged that in some ways that really would not be appropriate since we are doing that with five countries not just with South Africa. But we were joined in the meeting by Flori Liser, who is Assistant US Trade Representative for Africa, and she is here in part because we will be having our next round of those US-SACU Free Trade Agreements next week in Namibia.

**Minister Erwin** Thanks very much Bob. And just to once again reinforce I think it is very important that Ambassador Zoellick on the behalf of the United States takes an initiative such as the one he has taken. It is very important that we have the major trading nations giving leadership and direction in these negotiations. It is impossible to achieve anything if we don't have that commitment. We have had, I think, discussions in considerable detail which have explored various possible areas that we could make some movement across all the different groupings in the WTO, and I think our common feeling is that we should be able to particularly after contact with other ministers across the world, to try and find a way to get the framework this year. I think both of us feel relatively optimistic after our discussion, we have some hard work to do to see if we can move this further. But it has been an important contact for us, South Africa, to re-establish an open line after Cancun with the US and we have had an excellent opportunity to get a really in-depth understanding of where the US stands on issues. It has been a good meeting.

Just to stress on the bilateral agreement between the Customs Union and the United States. The negotiating teams will be meeting in Walvis Bay in Namibia next week. We are at the stage where we are looking at the detail of the agreement. So, as Bob indicated it is not appropriate for me on behalf of SACU to comment at this stage other than to say that we believe that the process is going well.

**USTR Zoellick** And indeed I will be able to meet a number of the other SACU ministers tomorrow in Mombasa.

**Minister Erwin** Not too many questions because the Ambassador needs some R&R – Rest and recreation. A trip like this, I am surprised that he is even walking. Questions?

Kim Cloete - SABC TV News

Where does this leave you with the US Farm Bill. Just what are your perceptions especially with regard to agricultural subsidies?

**USTR Zoellick** Well first off without boring you with [unintelligible] details. It turned out that a lot of the expenditures that people have forecasted on the US Farm Bill really did not come about, as we suggested. But we have always emphasized that the United States is willing to eliminate export subsidies including the subsidy element of credits, because we don't really use much in the way of export subsidies, that is something more used in Europe. We have had a subsidy element in export credits. And we are willing to take very significant cuts in domestic subsidies if we can get Europe and Japan to cut and if we can get some more open markets. And that is exactly a lot of the topic, substance, that we were talking about because I think both the United States and South Africa want to try to move the international agricultural system towards greater reforms. The last global negotiation, the Uruguay Round, really just started that process so it is behind the area of goods. So our hope has always been that with a good package that we could continue to drive the internal reforms. Now the way that works is that our farm bill lasts for a certain number of years and so if we are able to reach an agreement sooner than Doha Agenda comes into effect, then we would have to incorporate that in our own domestic legislation. But there is support in the United States for doing that if we can get other markets open around the world. And the key for us is European and Japanese subsidies, opening European and Japanese and other developed markets, but also getting some fair shot at some of the major developing country markets. And in this I want to complement South Africa because South Africa has been one of the leaders in the developing world in terms of using liberalization of its trade system and it has benefited South African agriculture so it is a good model.

Lindy Ensor - Business Day

I was wondering whether you could outline some of the elements of what such a framework would consist of.

**USTR Zoellick** Well, in some respects the framework text that was put together in Cancun under Minister Derbez guidance with chairs of different groups, was in my view rather close to what most countries could come around to, with a couple of core exceptions. One was the so-called Singapore issues. And that is why I stressed in my letter that I think the best course is simply to focus on the one that I have learned over past months seems to be the most acceptable to countries, which is trade facilitation. Now trade facilitation really is nothing more than taking the existing rules **in the, dating back to 1947 in the GATT for customs**, and trying to help two way trade in terms of removing impediments at the border, increasing transparency, helping. In a sense recognizing in the past fifty years there are huge changes in communications and transportation that allow products to sort of come in, in a more expeditious fashion. The

key is global sourcing. So, in many respects, and just to give you a comparison, the APEC countries, the countries of the Asia Pacific, a cooperation group which covers a wide range of developed and developing countries, had been working on trade facilitation for years as a cooperative venture, because it is something that really helps people to be able to have express delivery and move forward markets. But so the Singapore issues said I think we are going to have to get narrowed down and at least with our suggestion we focus on trade facilitation and put the others aside.

Two other core elements are goods and services. And there remains important work to do in the goods area but the text at Cancun, at least it is my sense, pointed in the direction of a formula for cuts, the use of what trade people call sectorals, but also dealing with non-tariff barriers. And Alec and I discussed some of the elements of moving that forward but I think frankly much of the text is one that many countries at least seem to be sympathetic to. In services, which is of increasing importance for all our economies, what we simply need to do is to get more countries to come forward with offers. About forty have come forward with offers. You start to see South Africa being an important service exporter, and we talked about an idea I had about working with the World Bank to try to help countries understand more of some of the possibilities in services. But so what that would really leave is the focus on agriculture. And in agriculture there are really three core elements. These export subsidies which we, and most other countries around the world, believe should be eliminated. They are the most egregious form of interference on the market because you are not just subsidizing people to grow something but you are subsidizing people to buy something and this is particularly troublesome for countries as diverse as US, India, South Africa, because if we open our markets then we are competing with somebody in a sense who is paying you to buy the product. The second area is the domestic subsidies, going back to this question on the Farm Bill. And there is a somewhat complicated scheme that talks about how you reduce them and make them less trade distorting. And then the third is market access for both developed and developing countries. So to wrap that together I think if we can get the key countries in the world to focus on trade facilitation in the Singapore issues, then our real question is, coming to terms on the differences on agriculture. And at least my sense after this discussion is that the United States and South Africa are pretty close on a lot of the views on that. But there are other countries that bring different perspectives and one of the questions is how do you bring 148 countries around to a common view.

Is that fair?

**Minister Erwin** We would agree with that. I think that we were able to probe some of the specifics in a bit more detail which we had partly done in Cancun and I think not being able to do subsequently is in the detail we were able to do it now. So a lot of this is fairly precise wording for example of concern to countries in the G20 group, including South Africa very much, would be if you are reducing this domestic support, could you shift it, so move a lot of the support from one crop to another, which would have a disruptive effect. With ourselves and the United States we have a very common understanding of that but we would need more precise clarity from the European Union on issues like that. But I use that as an example to illustrate that within the question of

domestic support producing it there are certain important aspects of that, that also have to be addressed in one or other way. Our view is that if we can continue the kind of discussion that Bob has been having across many countries in some way we can get this to move forward again. And as I have often said in South Africa that we were a lot closer in Cancun on agriculture than might have seemed to be the outcome. But the big problem was the Singapore issue and I think we would have shared the view that we should focus on trade facilitation. This is an area where we could do useful things, where some of the aspects of the World Customs Organization which now govern conduct between trading nations with regard to all aspects of customs documentation, customs procedure, some of these things could be usefully incorporated into what already exists and the GATT agreements to create greater certainty. And I think there is probably a majority view these days that, that is something we could deal with in WTO, that the other three issues we should at this point park somewhere else.

The Pretoria News

Can you say how significant a shift there has been in the years as you move towards these trade negotiations since Cancun? What would South Africa still want in terms of concessions from the US, and do you view the EU as the major stumbling block to reaching agreement at this stage, the EU's policy on agricultural subsidy?

**USTR Zoellick** Which of us do you want to answer it, both?

**Minister Erwin** I think that the letter that Ambassador Zoellick sent was for many of us a useful initiative because we would argue (I am not asking him to agree with this), we would argue that it placed the US in its more traditional position in agriculture which makes it easier for us to discuss many, many aspects on that. So yes, the answer would be that Europe probably is the more difficult party in agriculture, along with Japan and a number of other countries. **Sing...**, **uhm, Korea**, Norway would be, Switzerland would be of the other countries that have similar policies on agriculture. So the more difficult negotiations on agriculture would be there. I am not sure what you are referring to about South Africa wanting concessions from the US, in the multi-lateral context I think that we have been able to share many of the areas and probably there is not a great deal that puts us apart, as Ambassador Zoellick indicated on the agricultural issue. There is a lot of fine-tuning to do which we will also be able to canvass. So we do think that if we can unlock some of these nitty-gritty's particularly around the question of export subsidies, and this has been one of the key issues and it was important for us that the US stated that these need to be eliminated, because that is the view we have, all of us. How that is done, over what time, are some of the tough issues that we have to negotiate, particularly with the European Union. But it's got to be a two way process. If we open markets in the developing world you can't open them to heavily subsidized exports. In South Africa we have an open agricultural trading system but we do from time to time experience quite serious problems with subsidized exports coming in. So clearly you can't open further without there being the corresponding or commensurate reduction in those export subsidies.

**USTR Zoellick** What I would just add to it and the reason why this may be a little confusing to follow some of the adjustments, is that together we have a challenge of bringing a 148 economies around together. And we won't accomplish the task if we get to 147 and a 148 can't move, whichever that is, whether it is Europe, or Japan or a developing country or the United States. And so what we are trying to do is point the direction of the things that through our experience we have concluded must be a key part of it and I have mentioned some of those today, the export subsidies and others. But we have to respect the views of others and we have to try to figure out how we can bring compromise on that. So some of the things that - the United States finds itself in a position where we generally prefer an aggressive liberalization in goods. We actually favor total elimination of tariffs, agriculture and services. But we are working with all parties to try to get a balance. Now one of the things that has made the WTO even more challenging is that you have some countries that are traditionally big players in the trading system. The United States, the European Union, increasingly South Africa, Brazil. Some play a more active role in trying to make this happen. Some like China are just coming into the system and so one reason I stopped there was I wanted to encourage them to play a positive role, I met with Vice Premier Wu Yi I learned that I think they are willing to do that. Others just by their nature, like Japan, have been more cautious so we are trying to encourage them to play a role. But then we also have many other smaller economies, and many of which I will see tomorrow and which Alec deals with frequently in Sub-Saharan Africa. And there are a lot of fears and anxieties out there. So part of this is explain to people, listening, trying to get a sense of meeting the needs. And this is a long winded way of saying that I don't think we will be successful if we point our finger at one country or another. It just so happens a lot of our views are pretty similar on these issues, but there will be players that have political sensitivities and the challenge is dealing with those political sensitivities but still moving forward the overall liberalization process. And that is really one reason while on this trip that I have tried to visit many different countries across the world and to add to the context in that way.

Nick Dawes -This Day newspaper

Amb. Zoellick I am not sure if you would be prepared to answer a question on the bilateral issues. But I was wondering on the question of non-tariff barriers whether the US has any concerns about, for example, South African Government procurement policy.

**USTR Zoellick** Well obviously this is in the bilateral issues. The United States is very committed to the global negotiations. But we complemented it with free trade agreements with either individual countries or groups of countries. So in the past month we have finished one with five Central American economies and one with Australia. We wanted to do a free trade agreement with the Southern African Customs Union in part because we thought it was very important to signal to Africa that there would be a special opportunity for countries in Sub Saharan Africa to integrate with what is still the largest and most dynamic economy in the world, the United States. And we hope in doing so to accomplish a number of things. We hope to encourage the reforms and growth that the SACU nations have undertaken; we encourage additional integration among the SACU countries. As you know South Africa did an agreement with the EU when Alec and I talked about this he emphasized to me why it was important to do it with all five SACU

countries. I think that was a very good guidance and I have been very impressed with the commitment of the other SACU countries. Now there are many issues in this – market access, government procurement, services, agriculture, and we all have sensitivities. But we are committed to this agreement because we think it is important for our countries and we also think it is important for Africa and the trading system because we hope that we can demonstrate a deeper degree of integration than one would normally achieve in the global negotiations. And there is one more point on this. If you look at US free trade agreements, we are doing free trade agreements for Latin America, doing countries with the Asia Pacific, and we thought it was very important to emphasize that Africa is important to the US future as well.

**Minister Erwin** I just want to stress that this is a full free trade agreement so every area will be canvassed, and we welcome that. I mean if you look at the European Union Agreement, we dealt with government procurement, if I am not mistaken the US has asked and they are quite entitled to and should ask what government procurement policies are with regard to black economic empowerment and we will need to explain those. And we will exchange views on US procurement aspects as well. But this is what trade negotiations are about. Exchanging these views. And what is interesting is this is a very full agreement. I mean we are covering everything. We look at labor standards, we look at environmental issues, so it's a very wide-ranging agreement which we have entered because we think it will consolidate and establish our links with the largest economy in the world and as you know, as a single country, the United States is our largest trading partner.

**USTR Zoellick** That is why we ask our colleagues when they are going to get it done, but they haven't given us an answer yet.

**Minister Erwin** Okay, two more questions, if there are two.

Michael Hamlyn – Jacaranda Radio

I understood you to be saying that South Africa is in total agreement with the shelving of the Singapore issues. Is that correct?

**Minister Erwin** Yes, we have never been particularly active proponents on what we think complicates the agenda. We have said time and again that if South Africa has the capacity if we need to negotiate some of these matters, but we don't think it is a priority for the agenda. But I should stress that both Bob and I have indicated that we think that trade facilitation is something that could be dealt with. It is not something we are massively pushing for South Africa but we think it is something that could be dealt with and we have always been very uncomfortable with the idea that these four things should be packaged as one issue that becomes part of what is called a single undertaking. Because these are very different things, trade facilitation and dealing with issues such as competition are vastly different areas of law and process.

**Minister Erwin.** OK. Good. We need to give the Ambassador a break. Thanks very much.

(End transcript)