Remarks by
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Ambassador Crowder: Thank you, Ed, for that kind introduction. I am very pleased to be participating in this convention so early in my tenure as Chief Agricultural Negotiator. Trade issues of key importance to the cattle industry have been front and center in my job, a job I've now held for 29 days. Whether it's been WTO, FTAs or BSE and other SPS matters, clearly beef trade issues are a top priority. I particularly welcome the positive working relationship that I have with the National Cattlemens Beef Association, particularly Jay Truitt and Greg Doud.

As all of you know so well, trade is fundamental to U.S. agriculture and agriculture is fundamental to U.S. trade. Therefore, opening markets for agricultural products remains central to our objectives when conducting negotiations within the World Trade Organization's Doha Round and numerous bilateral agreements. You and other U.S. farmers and ranchers have been a consistent and important driving force in the pursuit of free trade. This support for free trade from farm country has been important in determining the shape of U.S. trade policy; and the Bush Administration will continue to stand up for the interests of farmers and ranchers in trade agreements. This mutual support will be crucial to creating new opportunities for our farmers and ranchers.

How important is trade to agriculture now? Consider this. Roughly 25 percent of U.S. agricultural cash receipts are generated from exports every year. The U.S. cattle industry sent to other countries an average of $3.5 billion in exports before the BSE crises. One of every three acres is planted for export markets, where we sell over $60 billion a year. Without these export markets, U.S. production and your returns would be much smaller. On the other hand, the United States imports a lot of agricultural products, particularly tropical products not grown here, specialty products, for example, beers, wines, chocolates, and cheeses, and counter-seasonal products. So it is clear, farmers and ranchers need ever expanding export markets to put food on their tables; and consumers need imports to help put the food they are interested in on their tables.

How about the future? Consider this. Over ninety-five percent of the world's population lives outside the United States. With this fact in mind, the United States is pursuing a trade policy to raise incomes of billions of people and improve our access to these markets. A recent World Bank report concluded that free trade could lift tens of millions out of poverty. As incomes rise in most of the rest of the world so does the demand for food. As our market further matures, trade will become ever more important for agriculture, particularly for value added products like beef. With higher income, consumers around the globe will not only want but will also be able to pay for the products from the United States.

Our objective is to use trade negotiations, both multilateral and bilateral, to create new and better opportunities for American agriculture. This means not only helping expand the market size for agriculture but also it means opening new export markets for U.S. food and agricultural products. It also means fighting unjustified trade measures, particularly sanitary and phytosanitary barriers, imposed on U.S. agricultural products.

Let's turn first to the WTO. The World Trade Organization with its 149 members is where we should have the best opportunity for broad agricultural reform.

The WTO sets the baseline for global rules on trade, covering tariffs, subsidies, sanitary and phyto-sanitary measures and other government policies. It is also the place where these 149 countries have committed to the objective of creating a more market-oriented agricultural trading system.

In December, the United States arrived in Hong Kong for the WTO ministerial meeting with bold proposals to substantially open markets and cut trade-distorting subsidies. We saw this as a key to moving the Doha negotiations forward. In Hong Kong, some headway towards a final agreement was made, but many core issues remain in front of us. While often they are the focal point, agriculture negotiations are part of a larger multi-lateral trade liberalization effort – one that consists of negotiations also in industrial products and services – all of which must move forward in relation to one another. At the time of Hong Kong, unresolved issues outside agriculture as well as reluctance to moving on agriculture issues impeded progress in market access, the most difficult and important issue we face in the agriculture negotiations. As we have done since the beginning of these negotiations, the United States in Hong Kong consistently pushed our proposal on agriculture, particularly pressing the European Union on market access. As the negotiations proceed, we will continue to seek an ambitious and comprehensive outcome on agriculture.

There was some good news out of Hong Kong. For agriculture foremost among these was the agreement by WTO Members to end all forms of agricultural export subsidies by 2013, with a substantial part of them being realized by the end of the first half of the implementation period. I would note that when I came to USDA in 1989 and began working on the Uruguay Round, there was not even an agreement to discipline export subsidies on agricultural products. Now we have set a date certain for their elimination - a long-standing U.S. objective to help our producers compete in export markets.

We must build on the progress we made in Hong Kong and focus on market access leading up to April 30, 2006: the deadline WTO Members have agreed to establish modalities, the basic formulas and rules, in all areas of the negotiations. These formulas will set the stage for the final bargaining through the end of the year over specific commitments, product-by-product and country-by-country. This is an aggressive timetable, but it is needed to conclude the Doha Round by the end of 2006, before the expiration of the President's trade promotion authority in 2007. Put succinctly, our objective is to maximize our new export opportunities by cutting tariffs and reducing global agricultural subsidies while maintaining adequate flexibility for Congress to design a Farm Bill that addresses domestic needs.

Meetings in Geneva and Davos, Switzerland last week helped provide some fresh impetus to these talks, as trade ministers committed to make renewed efforts to move the negotiations forward and to meet the deadlines set in Hong Kong. This has put a process in place for this year and teed up substantive discussion. However, the difficult questions for market-opening commitments remain to be resolved.

For you, our farmers and ranchers, the WTO is a platform to address the big issues, and opportunities, you face. These big issues are:

- opening markets by cutting tariffs;
- expanding global demand for agricultural products;
- eliminating export subsidies;
- providing greater harmonization of domestic support spending; and
- clarifying liability on WTO disputes.

Let me talk in a bit more detail on each of these areas and lay out some of the challenges we face.

On market access, the global average allowed agriculture tariff is around 62 percent. The U.S. average is just 12 percent. For beef, the U.S. out of quota bound tariff is 26 percent; whereas the EU bound tariff is 122 percent; Japan's allowed beef tariff is 50 percent, South Korea's is 40 percent; and the list goes on. We have emphasized to our partners that achieving a substantial result in market access is fundamental for gaining support of U.S. agriculture for a Doha agreement – and particularly important for us to make the kinds of reforms they are seeking on trade-distorting domestic support. It is, however, the area where other countries have been the most unwilling to make concessions.

To date, WTO members have agreed that the highest tariffs will face the deepest cuts. This leaves negotiations this year regarding the specifics of the cuts, as well as unresolved issues concerning the treatment of sensitive products, special safeguard measures, and developing country sensitivities. Clearly, this is the most important and difficult issue in front of us.

As I noted earlier, U.S. farmers and ranchers have a lot at stake in the economic growth of other countries. Most of the world would spend more on food if they had more money. The best thing we can do for our farmers and ranchers in other countries is to increase demand for food products. Fostering this demand requires increasing incomes there. Trade agreements that increase productivity and create new economic opportunities are the best hope for economic and income growth.

China is a good example of where economic growth has increased the demand for agricultural products. Since 2001 when China joined the WTO, U.S. agricultural exports to China increased 189 percent, from $1.9 billion to $5.5 billion in 2004. Getting China into the WTO helped accelerate a trend that had begun earlier as China's economy developed. The increase in U.S. agricultural export to China over the past decade has been greater in absolute terms than the growth of our agricultural exports to any other market in the ten year period (1994 – 2004).

The EU is permitted to spend over $8 billion annually in export subsidies. They've been spending roughly $3 billion lately. For beef alone, the EU spends over $438 million and has the authority to spend up to $1.5 billion. These most trade-distorting subsidies are hardly used within the United

States, and are not used at all on beef. In 2004, WTO Members agreed to the elimination of export subsidies by a certain date. We also established complementary disciplines for export credits, state trading enterprises, and food aid. As noted above, we agreed to eliminate export subsidies by 2013, with a majority of the reforms coming by 2010. It was also agreed that disciplines would be extended to the future use of monopoly powers by state trading enterprises. This specifically targets entities such as the Australian Wheat Board and the Canadian Wheat Board.

The EU – although reforming its policies toward more decoupled support – is permitted over four times the amount of trade-distorting domestic support as the United States. The EU's latest notification to the WTO in 2001 shows trade-distorting domestic support for beef at $11 billion, compared to zero dollars for U.S. beef ranchers. In the negotiations we have agreed that countries with higher levels of trade-distorting support "the amber box" must make larger reductions. The U.S. has the third highest level of allowed trade-distorting support, after the EU and Japan. It was also agreed that we need tightened rules on less trade-distorting measures "the blue box" while ensuring other policies are no more than minimally trade-distorting "the green box." WTO Members agreed upon an approach containing three steps: the European Union alone will face the deepest cuts of domestic support; Japan and the United States will face the second deepest cuts in the second tier; and all others will follow. In addition, we have agreed on a principle that those countries having relatively higher levels of domestic support, such as Norway and Switzerland, will make deeper cuts.

Where are we and where do we go from here? In response to a question I received after I gave a speech at the American Farm Bureau Federation annual meeting I was asked about the difficulty of the job ahead and if it could be done in the time frame laid out in Hong Kong. I responded that we were focused on the "how to get it done", rather than the "if it can be done." That process has already begun.

Last week I spent three days in Geneva meeting with WTO member countries – the Cairns Group, Canada, Australia, Japan, the G-10 group of countries, the EU, New Zealand, and also WTO officials. My message focused on the importance of a big deal, on the importance of market access, on the need to stay on schedule, and on the belief that we should stay with the multilateral process rather than with bilateral discussions and finally on the need to intensify the negotiating process with my counterparts. The message, I thought, was well received. We will begin the senior official process in little over a week in Geneva.

Also last week a group of trade and agricultural ministers met at the World Economic Forum in Davos. The ministers at the meeting reaffirmed the importance of building on the progress at Hong Kong, the importance of staying on the Hong Kong time table, achieving a meaningful result and the political will to get the job done. So the challenging task of getting the Round completed has begun. It will not be easy but the focus is on the "how" not the "if."

Let's talk now about bilaterals. A multilateral framework for agricultural trade liberalization is the best way to help bring economic benefits to all farmers and ranchers. However, the potential to improve trade opportunities also exist outside of the WTO in the form of free trade agreements, or what we call FTAs. FTAs allow the United States to open markets where our exports are restricted by tariffs or other measures. They also help level the playing field against other competitors who may already have concluded a trade agreement with our potential FTA partners. Since the U.S. market is already relatively open to imports of most products, we stand to gain by reciprocity of an agreement where all tariffs are phased out. The FTAs also help to keep the pressure on our partners in the WTO by showing them that we are willing to deal with countries ready to fully open markets. This option allows the United States to continually move ahead, opening new markets and building strategic alliances, while other less progressive countries are left behind. With fewer parties involved in these negotiations, FTAs, while comprehensive, can also allow U.S. import sensitivities to be better addressed on a case-by-case basis.

The United States has concluded FTAs with 17 countries. These countries represent significant markets for U.S. agricultural products with 2004 agricultural exports to them totaling about $23.5 billion, over a third of total U.S. exports.

What's more, current negotiations are underway with another 10 countries. These countries represent significant markets for U.S. agricultural products with 2004 agricultural exports totaling about $2.1 billion (3 percent).

I know that you were pleased to hear yesterday that the United States announced that it would be pursuing a free trade agreement with Korea. Korea is the United States' sixth largest export market for agricultural products, and is a very important export market for U.S. beef as well. Exports prior to the BSE situation were nearly $815 billion. With a high tariff of 40 percent, the United States will be pushing for duty free access for U.S. beef as a top priority in this important market.

I know that NCBA is not satisfied with the partial opening to U.S. boneless beef that Korea announced in January. However, we appreciate the valuable input we have received from you on the issue in recent weeks and I can assure you that we will continue to work with Korea open its market to U.S. bone-in beef, variety meats, and offal. Together these products historically accounted for approximately 50 percent of U.S. beef exports to Korea.

We are also using the FTA's to improve science-based decision-making. We are working in these negotiations to ensure SPS measures are based on science, developed in a transparent manner and are otherwise consistent with WTO SPS obligations. Resolving SPS issues during FTA negotiations is of critical importance. Without resolving SPS barriers, tariff reductions achieved through FTA negotiations can be meaningless. Just as we did in our discussions with Korea on opening its market to U.S. beef, we actively engage our FTA partners on SPS issues. For example, CAFTA-DR countries are committed to recognizing USDA's meat inspection system as equivalent so that plant-by-plant inspections are not needed. Peru has committed to do the same, and we are insisting that Panama also recognize the U.S. inspection system as equivalent. Now, an important caveat to this approach is that the decisions need to be based on science. Not all SPS measures are unjustified barriers. Countries, including the United States have the right – and the obligation to its citizens – to have measures in place to protect human, animal and plant health. Where we take the exception is where those import restrictions are not justified and not based on science.

So you can see the United States is prepared to act boldly and provide leadership in achieving success in multilateral talks while at the same time moving energetically in looking for bilateral opportunities.

Next let's talk about enforcement. In either arena, multilateral or bilateral negotiation, active and effective enforcement of U.S. rights under trade agreements is critical to enjoying the gains from trade and maintaining support in the United States for a healthy, open trading system. We place a high priority – a very high priority – on eliminating unfair and unjustified barriers to U.S. food and agriculture exports. The United States vigorously pursues its rights, including those through dispute settlement procedures if needed, to end barriers to our agriculture exports that violate the WTO or other trade agreements.

We have already succeeded in challenging a number of other countries' actions which violate our trade agreements through formal WTO dispute procedures. Examples of particular interest to you are the elimination of Korea's restrictive marketing restrictions on beef and Europe's ban on the use of growth promoting hormones in beef.

Although we are prepared to use the WTO dispute procedures when there are clear violations, the U.S. prefers to resolve differences through less time consuming, more certain and face-saving bilateral negotiations. For example, we will continue to confront trade barriers not based on internationally accepted scientific standards.

As we did to open the market in Japan, I can assure that the entire U.S. government will work together to regain access to the Japanese beef market. Our beef is completely safe.

Negotiations have also led to the recent reopening of important markets for U.S. beef exports throughout Asia and the rest of the world, and we will continue that work.

In other areas, we are actively working to eliminate some of the EU's questionable restrictions on U.S. beef. In addition, we are also still pushing to have Russia remove its BSE restrictions. We did conclude an agreement last year with Russia providing predictability in access for U.S. beef under a Russian TRQ system with the U.S.

In summary, with the goal of improving the world market environment and opportunities for our farmers and ranchers, we have two powerful tools at our disposal to create new opportunities, the WTO and bilateral FTAs. While both can spur economic growth and tear down barriers to trade, we recognize that the WTO process, while slower and more difficult, ultimately provides our farmers and ranchers with the greatest opportunities. To ensure the enforcement of our trade agreements, we will continue to use all means necessary to fight unjustified trade measures imposed on U.S. agricultural products.

This work is predicated on the commitment of the Administration to the central importance of U.S. farmers and ranchers, and our judgment that American farmers and ranchers are the best in the world, and given the chance to compete in a free trade environment, they have the ability, resources, and ingenuity to prosper. The job will not be easy. As we go through the intense process immediately ahead, we invite your input and we invite your help in this important task.

Thank you again for inviting me. I look forward to working with you.

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