

**Remarks To The 40th Annual Meeting Of
The Association For International Agriculture And Rural Development
Principal Deputy Assistant Secretary Of State
For Trade Policy and Programs
Ambassador Shaun Donnelly
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"Promoting Trade Liberalization and the Doha Development Agenda"

Thank you for inviting me this afternoon to share my thoughts on ways in which the United States Government is working to promote trade liberalization and the Doha Development Agenda. I can assure you that, despite the significant time and energy we in the State Department devote to diplomatic matters, we have not lost sight of the key role that economics in general and free trade in particular must play in building and supporting a stable and prosperous global community.

Let me take a few minutes to highlight where we currently stand in our agricultural trade negotiations and where we see ourselves heading.

U.S. Position on Agriculture at the WTO

The United States employs a three-pronged approach to advancing world trade liberalization: The most important -- because it is potentially the most far-reaching -- is the **multilateral track** through the WTO Doha Development Agenda. To enhance and complement the agenda set in the WTO, we are also pursuing **regional** and **bilateral** trade agreements. We are negotiating or have completed such agreements with countries in all parts of the world, and

most of our partners have been developing countries. We believe that free trade is an essential element of development and will continue to pursue such agreements.

However, we also recognize that regional and bilateral free trade agreements can go only so far: certain aspects of trade in a global economy can be effectively addressed only in a multilateral, global framework. While tariffs can be lowered relatively easily between two countries, issues such as domestic supports require broader agreement and compensatory cuts in order for them to be politically feasible and economically useful. This is why we view the Doha negotiations as essential for real progress in global development and free trade. In other words, regional and bilateral agreements are important, but they are not a substitute for a global agreement.

To be sure, negotiating within the WTO context has its own set of challenges and rewards. With 147 countries, and nearly as many unique interests, finding consensus is never easy. Any country, regardless of size, retains the same power to prevent an agreement. This means that we must take into account every country's special concerns. It also means that every country must make its own sacrifices, just as each stands to benefit uniquely from an agreement.

It is this latter point that must not be forgotten: while we all make concessions to reach consensus, the cumulative and individual benefits of a global agreement will far outweigh the individual contributions. The WTO gives its members a common set of rules, which provide predictability and something akin to a level playing field. When companies and producers have

predictability and transparency, they are more prepared to make investments and take chances. The risks are clearer; the benefits even more so.

Our WTO agenda is a broad and ambitious one. This is particularly true in the area of agriculture, which has become central to progress in the Doha negotiations. Agriculture has emerged as the first hurdle in this next stage of negotiations as the negotiators in services and industrial goods wait to see the shape of an outcome for agriculture. Many developing nations in particular see agriculture as key for them -- both in their defensive and offensive interests. They have a greater portion of their economies dependent on agriculture and rely on their domestic production for food security.

Our proposal encompasses all three pillars of agricultural trade: Domestic supports, export competition and market access. We have offered to make deep and substantial cuts in our support programs, called upon the other developed countries to do the same and proposed a broad opening of world markets. We recognize the special concerns of the least developed countries and are willing to work to identify ways to meet these needs.

We also see the opening of world agricultural markets as an important means of increasing trade between developing countries -- perhaps the most effective way of doing so. By lowering tariffs, developing countries can help each other, create new opportunities for their own farmers and provide their consumers with access to lower-priced products.

WTO Negotiations Benefit Developing Country Agriculture

Some critics have suggested that WTO negotiations simply benefit large multinational corporations and have little positive impact on the world's poor. To counter this notion, I'd like to point out a few statistics that put into perspective some reasons why developing countries see the WTO negotiations as important to their long-term development.

- Three quarters of the world's poor live and work in rural communities that depend on agriculture for their survival and will continue to do so for many decades;
- Subsidies to agriculture run at \$1 billion a day and are six times the amount spent on development assistance; and
- According to the World Bank, full elimination of agricultural protection and production subsidies in the rich countries would increase global trade in agriculture by 17%, with agricultural and food exports from low and middle income countries rising by 24%. As a result, total annual rural income in these countries could potentially rise by as much as \$60 billion -- or roughly 6%;

These statistics have not been lost on many in Africa -- one continent where agricultural productivity is stagnant while food aid needs continue to be substantial.

Africans Argue Trade Critical for Reducing Hunger and Poverty

In April, the Government of Uganda co-hosted along with the International Food Policy Research Institute a conference titled "Assuring Food and Nutrition Security in Africa by 2020." This conference was attended by more than 500 people, including the Presidents of Uganda, Nigeria and Senegal, as well as parliamentarians, diplomats, business leaders, nutritionists, agricultural researchers and farmers -- all intent on working together to address Africa's inability to adequately meet the food needs of its people. The conference was proudly touted by many Africans as "African-owned and African-driven" and exemplifies the tremendous importance that African leaders and citizens are placing on reducing poverty and hunger on their continent.

For three days, stakeholders from around the globe discussed a wide variety of topics affecting Africa's food security -- including the appropriate role of agricultural science and technology, the effects of HIV/AIDS on crop production, the importance of good governance, ways to reduce conflicts, the lack of rural infrastructure and the degradation of natural resources. Many participants called upon developed countries to open their markets to African agricultural commodities -- a sector in which Africa has a comparative advantage, particularly in light of its low labor costs -- to give African farmers the opportunity to fully participate in the global trading system, increase their agricultural productivity and raise incomes.

In fact, President Museveni of Uganda zeroed in on the importance of trade when he told attendees that, "In the OECD countries, the subsidies (to agriculture) stand at about \$1 billion per day. We are all familiar with the cliché about Africans living on less than \$1 per day. Yet, a cow in Europe is subsidized at over \$2 per day. With this sort of subsidy, African agriculture cannot attain the competitive edge required to make it buoyant." President Obasanjo of Nigeria

added, "We must insist on market access in industrialized nations for our agricultural products, just as they have market access in our countries for their highly industrial products."

We in the U.S. Government agree that global distortions to the trade in agricultural goods must end -- both for developing and developed country farmers. We must not forget that the U.S. is one of the largest importers and exporters of agricultural products in the world and benefits from open markets as well.

Of course, we recognize that developed country trade-distorting measures are only a part of the reason that most developing countries have not benefited enough from the global trading system. Lack of good government policies that invest in rural sectors, poor funding for infrastructure, lack of education, health care and social safety nets, and high barriers to trade between developing countries all contribute significantly to low levels of agricultural production and high rates of poverty and hunger. In fact, merchandise trade among developing countries could grow by some \$400 billion following the reduction of trade barriers that stymie South-South trade. Likewise, lowered tariff barriers on agricultural products could significantly improve trade among developing countries.

That said, we believe strongly that the agricultural negotiations in the WTO offer the best path to systematically reduce agricultural trade distortions worldwide -- for everyone and on every product. In sum, our goal is to increase trade in order to decrease hunger and poverty. According to John Mellor, "It is only with rising farm incomes that poverty can be reduced."

We've seen from first hand experience -- particularly in the case of China -- that Mr. Mellor's statement is correct.

Jim Morris, the Executive Director of the World Food Program, points out that by applying a market approach to its agricultural sector in the 1980s, China not only became more self-sufficient in terms of food, it also kicked off the greatest single wave of poverty reduction in history, raising 220 million people out of poverty. Moreover, China is one of the world's largest and fastest growing commercial markets. After helping China for 25 years and feeding 32 million people, the WFP is now closing its operations in that country and asking the Chinese for help with food and expertise to feed others.

Hunger Increasing While Agricultural Productivity Decreasing

I'm sure you've heard some of the disturbing statistics about the number of hungry people in the world and the low levels of agricultural productivity, but they bear repeating:

- More than 800 million people around the world are undernourished. That's roughly one in eight;
- While the prevalence of poverty dropped by 20% worldwide in the 1990s, the number of hungry people actually grew by 18 million in the second half of that decade;

- Agricultural productivity in Africa -- the continent requiring the largest levels of food aid -- is stagnant; and
- Food production will need to double in the next fifty years to meet the needs of a growing global population, but doing so with existing technologies would put an unbearable strain on land and water resources;

The U.S. is a Leader in Fighting Hunger and Poverty

The commitment of the United States to reducing global hunger and poverty is not limited to the WTO. In fact, we have a long history of charity and continue to tackle these problems on multiple fronts.

First off, the United States is the world's leading provider of **food aid**. In 2003, U.S. food aid totaled \$2.4 billion or 4.5 million MT. Moreover, the U.S. is the largest contributor to the World Food Program, donating \$1.4 billion to the WFP last year. This food aid typically meets the needs of hungry people in such countries as Ethiopia, North Korea and Afghanistan, just to name a few.

In 2004, the WFP expects that almost 75 million people will require food aid totaling approximately 5.2 million MT. Sadly, based on contributions reported by WFP as of April 26, including a U.S. contribution of \$163 million (or 33% of all donations so far), the WFP is estimating a \$1.9 billion gap. Yet, at the same time, we are under increasing pressure by the EU,

Canada, Australia and others to scale back our food aid programs, which they argue disproportionately benefit U.S. farmers and displace commercial sales. If their efforts are successful -- and they just may be -- we are likely to see even more food aid needs going unmet.

Second, the U.S. has also taken action aimed specifically at **increasing agricultural productivity** in many developing countries, particularly in Africa. In fact, the U.S. provided \$488 million in assistance to agricultural development programs in 2003.

At the World Food Summit in 2002, the U.S. laid the groundwork for what has come to be known as the "Initiative to End Hunger in Africa." This initiative, funded at \$45.5 million in 2004, calls for a partnership between committed African governments, the private sector, regional organizations, developed country governments, research institutions, universities, NGOs and multilateral organizations. The strategy is to enable African smallholder farmers in key countries and regions to raise their productivity levels by increasing their access to both new technologies and markets. Our initial efforts concentrated on a key country in each of three regions: Uganda in east and central Africa, Mozambique in southern Africa, and Mali in west and central Africa. We selected these countries because they are leaders in policy reform, public investment and government commitment to agricultural growth and poverty reduction. This year, the program has been expanded to include Ghana, Kenya and Zambia.

Third, in March of 2002, President Bush proposed "a new compact for global development" linking greater contributions from developed nations to greater responsibility from developing nations, which became the center of the "Monterrey Consensus." The President said

we would lead by example and proposed the "**Millennium Challenge Account (MCA)**" -- an increase of \$5 billion per year in development assistance -- which would go only to those countries that "rule justly, invest in the health and education of their people, and encourage economic freedom." The Millennium Challenge Corporation (MCC) will focus on promoting economic growth and lasting development, working with countries that have adopted policies that enable growth. By working with the best performers, we intend to make our aid more effective and encourage other countries to adopt good policies as well.

On May 6, the Board of Directors of the MCC selected the 16 countries eligible to apply for MCA assistance in FY04. The selected countries include Armenia, Benin, Bolivia, Cape Verde, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Nicaragua, Senegal, Sri Lanka and Vanuatu.

Fourth, President Bush will meet with other **G8** leaders at Sea Island this week and will endorse a plan proposed by the U.S. to reduce hunger and poverty and end the cycle of famine in the Horn of Africa. The plan outlines the commitments of G8 members to work in close coordination with each other, governments in the region and other stakeholders to:

- Reduce dependency on food aid, particularly in the Horn of Africa, by advocating good government policies that foster healthy and vibrant agricultural sectors;
- Provide development assistance for efforts related to land reform, infrastructure and market development and access to science and technology;

- Improve worldwide emergency assessment and response systems; and
- Boost agricultural productivity and rural development in food insecure countries.

In conclusion, the U.S. shares the growing consensus on the need to reform the global trade in agricultural products -- to benefit farmers in both developed and developing countries. We believe that multilateral negotiations that tackle all three pillars within the WTO offer the best opportunity for a broad-based solution that ultimately eliminates the trade distorting measures that hinder rural growth in Africa and other parts of the world that depend on agriculture. Our WTO proposal supports our view that open trading systems can -- and will -- provide the incentive that farmers need to raise their productivity and defeat the scourges of hunger and poverty. I'd be happy to answer any questions you may have.