

## **Eingangsstatement von William Reinsch, anlässlich der TV-Staellitenkonferenz „Atlantic Rendez-Vous“ am 17. Mai**

We are still debating the meaning of the failure of the trade negotiations at Cancun and everything that has happened since. At best, it's an example of Lenin's dictum, "two steps forward; one step backward." At worst, it's a paradigm shift that will have a lasting impact on relations between the rich and poor countries.

What seems clear is that:

1) Developing countries seem to be believing their own speeches – always dangerous in a negotiation – and, as a result, in Cancun overplayed their hand and miscalculated when it was time to stop posturing and put something on the table. And they may still be doing that.

2) Developed countries tried to approach this in the traditional way by reaching a deal among themselves and some token developing countries and have the rest come along. They have had difficulty understanding that the developing countries appear to have found their voice in the form of the G-20 and are insisting on their rights – if not on their obligations. In that regard the rich countries have consistently underestimated the growing frustration in developing countries over a deck they see stacked against them, particularly in agriculture.

It is ironic that the whole outcome – again – will depend on agriculture, a sector which represents a consistently declining proportion of national economic activity, but we can't seem to escape that swamp.

There have been recent positive developments – Amb. Zoellick's letter earlier this year, and the EU proposal last week. Both are significant and represent positive steps that should move the Round forward.

Both also put the ball in the court of the developing countries, who will have to get serious about their own willingness to make concessions if there is ultimately to be an agreement.

That's the snapshot at the 10,000 meter level. Looking at the EU proposal in greater detail, however, reveals some difficulties that may slow things down rather than speed them up. We still seem to be in the familiar position of the circular firing squad.

1. The EU proposal, while forthcoming on its face, sticks it to the Americans by calling for "parallel" reductions in subsidy categories that are important to us.
2. Amb. Zoellick's response was both positive and every bit as self-serving as the EU proposal. He said,

- "If the European Union can move on this critical point, as it seems close to doing, the United States will eliminate the subsidy element of export credits and discipline food aid to avoid commercial displacement, while still permitting countries to meet vital humanitarian needs. To complete this positive package, others will need to end state trading enterprise export monopolies and the use of differential export taxes."

That simultaneously aims the gun at the Canadians and others who engage in other trade distorting activity and it puts us firmly in the camp of the good guys who support humanitarian food aid regardless of its impact on world prices.

Whether Canada or G-20 members complete the circle and fire back remains to be seen.

More troubling than that, however, is the EU proposal to give some 90 developing countries a free ride in the negotiations.

- If I were Machiavellian, I would call this a cynical ploy to divide and marginalize the developing world. But I'm not, so I won't say that.

More seriously, I believe it is not good for the WTO as an institution and not good for the developing countries themselves.

The WTO rests on a network of rights and obligations and commits all members to participate in the global economic system. To suggest that some countries can have rights but not obligations implies that trade is a zero-sum game, which undermines the rationale for the organization and ultimately will weaken its ability to advance open trade.

Equally important, there are volumes of empirical evidence to demonstrate that trade liberalization is good for developing countries just as it is for the rich countries. My own organization, the National Foreign Trade Council has done a good bit of work in this area with respect to non-agriculture tariffs and market access barriers. Developing countries pay more than \$70 billion in tariffs *to each other*. The market enhancing and job growth effects of opening markets are enormous.

We have not thus far been very successful at convincing developing countries of that, but our message has been clear and consistent and, I believe, is beginning to sink in. The EU proposal sets back this effort significantly.

These comments are preliminary. The proposal was made last week and deserves closer analysis – which it no doubt will get, on both sides of the Atlantic. I also don't want to suggest it is not welcome. It is welcome; it is important; and at the political level it could well serve to start things moving again. It appears not to be, however, entirely charitable, despite its packaging, which means we are still in for a long and difficult negotiation.

There is a lot more to say about agriculture – the debate over the tariff reduction formula, other market access issues, domestic support – but before I run out of time, I want to say a word about the rest of the agenda.

For my members, which are large multinational companies, the key issue is and always has been non-agriculture market access – tariffs and non-tariff barriers. We have proposed tariff elimination, as has the Administration. We hope the EU will pick up that banner as well, both because it is important and right, but also because it is the best way to ensure that there is strong business support for the end product in the U.S.

You all know trade is having a rough time in the Congress right now, and that's only going to get worse throughout this year. We already know how easy it is to stop something. Making something happen is much harder and demands a core of strong supporters willing to work hard on behalf of the cause. Historically in the U.S. that has been the business community. Simply put, if you want us there again, we need to be satisfied with the NAMA outcome.

That said, we can probably put the pieces back together and agree on a framework that will not be all that different from what was on the table in Cancun. The reason is that nobody left Cancun with anything in his or her pocket. Sooner or later the developing countries will decide that rhetoric is nice, but it still leaves their people poor. If they want to make real progress, they need to return to the table.

Even so, they will ask more of the EU and the US than we have thus far been prepared to give. The challenge for the EU and the US will be responding to those demands in ways that are not cynical and self-serving, which would only prolong the negotiations. Both the US and the EU positions on agriculture so far suggest we're not quite there yet.