

Good morning. Thank you for inviting me to join you today. It's a pleasure and an honor to be part of this conference.

As you are aware, Under Secretary Penn was to be here with you today. Unfortunately, some last minute issues have arisen and prevent him from honoring his commitment to speak and participate in this conference.

So, with his sincere regrets I am privileged to stand in for him and offer his perspectives on food aid, trade and farm policy issues as they relate to the theme of this conference, "horizon of hope."

Today I will address the implications of the World Trade Organization negotiations in the Doha Round and their impact on food aid policies.

What I would like to review with you today is some context of the role and importance of U.S. food aid from a policy and humanitarian perspective.

Reinforce the importance that Doha Round was initiated to recognize the growing disparity between developed and developing countries. There was a consensus of support that the outcome of these negotiations was to ensure that developing countries are full participants in terms of both reducing tariff and non-tariff barriers and gaining effective market access to overcome their poverty and hunger challenges and put in place the tools to foster economic growth and increased trade.

Finally, I would like to provide you are perspective of where we are in the negotiations and more importantly to have a successful trade round.

As the Deputy Secretary stated in his remarks, the U.S. has been and remains the world's largest food aid provider. It is a result of our ongoing commitment to provide humanitarian need around the world to address critical hunger and poverty needs. We consistently supply more than 50% of the total international food assistance year-in and year-out.

As the Deputy Secretary mentioned, last year the U.S. supplied more than 4 million metric tons of product to more than 70 countries, with a value of \$2.4 billion. The key to this and future success is to strengthen the network of the agricultural sector represented at this conference and the flexibility to provide that food aid in the most expeditious and efficient manner.

It is important to note that the preponderance of aid provided by the U.S. is to address emergency situations. Nonetheless, it is important to underscore the need for developmental aid to address ongoing situations of chronically malnourished populations.

A major part of that flexibility encompasses addressing the root problems of world poverty and hunger that necessitates continued commitment to world food aid. I now view the long-term solution to worldwide hunger and poverty lies in the ability to foster economic growth and development. For economic growth and development to occur, freer, fairer trade and effective and real increased market access are essential components. It is estimated that global trade liberalization would increase the income of developing nations by \$200 billion per year, and reduce poverty by 25 percent over 15 years.

Capital flows from private sector are the engine to create economic activity to generate wealth and income. Negotiations cover all economic activity; NAMA, services. The WTO agricultural negotiations are key to securing freer, fairer trade for all countries.

The United States has long championed eliminating agricultural export subsidies; substantially reducing trade-distorting domestic subsidies and supports; and reducing market barriers for agricultural products. Developing countries stand to gain the most from these measures. So-called South-South trade is already growing 50 percent faster than world trade in general.

In order for the Round to reach a successful conclusion and for the developing countries to enjoy the fruits of greater trade, the EU needs to grant greater market access and other countries must be realistic in their demands on U.S. support programs.

The United States already has lower tariffs and curbs on export subsidy programs. Our average tariff on all agricultural products is 12%. The average for the world is 62%. Set new deadline for April 30; kept up negotiations, etc.

Let us now turn our attention to what happened with food aid during the WTO Ministerial in Hong Kong last December.

Members reconfirmed their commitment to the July 2004 framework agreement to create disciplines that ensure commercial displacement does not occur. Members agreed to establish a “safe box” for emergency food aid. We use the term “safe box” because emergency aid would be subject to minimal disciplines.

On non-emergency aid, some hard issues are yet to be resolved, such as monetization.

Food aid has been a distraction. Negotiations on food aid in the Doha Round are intense for a number of reasons, not least of which is that many countries view food aid as a de facto export subsidy that disrupts commercial trade and serves as a means of disposal of surplus commodities. As the largest food aid donor, the United States has received the largest amount of focus and criticism. Despite these differences, one common goal has emerged – that the current level of global food aid be maintained or increased, based on need.

Major voices on the subject of food aid include the European Union, Canada, Australia, the United States, and – most recently – African and least developed countries.

What has happened since Hong Kong? WTO members are working to develop specific disciplines for emergency and non-emergency food aid. Food aid classified as being in the “safe box” will be driven by emergency needs. It is assumed that food aid in this box will result in no displacement of commercial commodity trade. Food aid classed as “non-emergency” will still be driven by specific needs. Non-emergency donations will be subject to an objective analysis of the recipient country’s food needs and its commercial ability to import. This assessment would be similar to the usual market requirements

process, but details have not yet been finalized and agreed to by members.

But there is opposition to this concept. As I noted a few moments ago, some WTO members view certain types of food aid as an export subsidy, a means of surplus disposal that distorts commercial trade. Some members, such as the EU, believe that a cash-only approach to food aid would be the least trade-distorting.

But this approach is extreme and does not prevent food aid from being trade-distorting. Moreover, cash is fungible and can be used anywhere for anything. It is essential that the same rules on transparency that govern aid given in the form of commodities also be applied to cash aid.

The U.S. goal is to maintain much-needed programs to help hungry people who need food. We will not accept restrictions that could impair the ability to meet needs of vulnerable populations.

The United States believes that the Doha Development Agenda negotiations constitute a historic opportunity to not only help U.S. farmers, ranchers, and growers export more, but also to improve the lives of producers and consumers. We believe that our food aid programs are fully consistent with, and contribute to the achievement of, the goals of this agenda.

The United States is on board with the idea of negotiating the terms of “emergency” and “non-emergency” food aid. We are promoting solid disciplines to prevent commercial displacement, while allowing assistance to flow to those in need.

WTO members must have flexibility in their food aid programming. We need an assortment of tools that let us respond quickly and efficiently to unpredictable and changing food aid needs throughout the world. Disciplines on food aid must not be so restrictive that global aid decreases.

We are pushing hard for maximizing the number of food aid options for “non-emergency” donations. This includes retaining all of our

current programs. Our concept is “the more tools in the toolbox, the better.”

Finally, we firmly believe that the outcome of these negotiations will have the effect of less commitment to funding food aid.

It is our position that the EU’s “cash-only” proposal on food aid will not work. Such an approach would greatly reduce the availability of food to the food-insecure people around the world. In fact, after the EU went to cash-only aid, its level of food aid decreased. What might work? The African and LDC groups submitted a joint proposal last month that meshes with the U.S. position – it allows for a variety of tools. Many of these countries are recipients of food aid. This proposal makes it very difficult for the EU to pursue its hard-line, cash-only proposal.

On April 12, Crawford Falconer, who chairs the WTO Special Session of the Committee on Agriculture, put forward a reference paper on food aid.

His paper is largely a discussion of where the WTO members stand on various issues, such as areas still under debate on the Safe Box and how to discipline other food aid.

This should help focus discussions on areas where there is no consensus and should help move deliberations along.

In terms of the safe box – consensus has emerged that in-kind aid is permissible; the triggers to declare an emergency, including parameters around how, when and who can declare an emergency as well as the duration of emergencies.

Emergency food aid should be fully untied from commercial transactions and be based on needs-driven assessment.

In-kind donations should be in fully grant form with no linked to market development objectives.

With non-emergency situations divergence continues around continued of in-kind food aid and monetization – particularly over any phase out of in-kind food aid to cash only food aid.

Monetization – divergence remains on whether to phase out or retain ability to monetize under _____ disciplines.

The timing of U.S. trade promotion authority and that of the Doha Round are intertwined.

Modalities need to be in place before schedules can be developed – so they need to be developed ASAP.

After an agreement is reached, the WTO needs about 6 months to negotiate and verify members' new schedules for meeting the requirements of the new round. To fit in with TPA's expiration and U.S. negotiators' deadline for Congress, this means that they should be submitted to the WTO by about July 30, 2006.

Agreements that change laws must be submitted to Congress 6 months before TPA expires – or by about December 31, 2006.

U.S. trade promotion authority is set to expire on June 30, 2007.

The United States remains committed to achieving ambitious results through the WTO Doha Round negotiations, and will continue to strive for a balanced reform package for all of agriculture.

The United States is still optimistic that a deal can be reached.

Developing countries would be the real losers if a deal is not reached.

Developed countries will still be able to negotiate FTAs.

That concludes my presentation. Thank you very much for this opportunity to address you today.