

MR. ANGELL: Thank you. The Chair is open to -- Commissioner Zoellick.

MR. ZOELLICK: I'd like to thank both of you for coming. I'd like to focus on one issue that you and a number of others have mentioned today and which I think is very important but I fear is heading in the wrong direction, and that's the GMO's, or as some now refer to them, the GEM's, genetically enhanced materials.

I fear that the U.S. agriculture and biotechnology industry is well on its way to having lost this debate globally, and there are a lot of reasons for this.

I think the key was that the industry was too slow and let the opponents define the issue and raise fears and anxieties about the issue. Now the industry has to dig itself out of the hole.

I think this is a great tragedy, given the possibilities for benefits in parts of the world like China and Africa, where things like Vitamin A supplements could be critical for people, that that message didn't get out.

I'd like to get your thoughts on what one does now, given the problem we have. In particular, Dr. Amstutz mentioned the question of recognizing there is no zero risk. I'd certainly agree with that.

But there are some in Europe who then make the case that that logic undercuts the points that Americans frequently make when we say, "Make your decisions based on science." The Europeans will say, "Yes, we base it on science."

But then, Europeans add that there is a political overlay, which is risk assessment, because science rarely tells you precise answers, it gives you various risk assessment variables.

And I would like your thinking about the general question I posed, other than telling other countries, Well, do it differently, because I don't think that's going to work.

What combination of a reasonable risk assessment model, what combination of labeling, what combination of other variables might allow us to get this issue back on track? Because I sincerely feel it's -- in fact, it's going to go the other direction.

It's going to come back to this country, and everybody is going to get scared here, too.

And the thing we heard this morning -- I apologize, I don't know whether you gentlemen were here -- was something that I had not focused on, which is that it's not just a question of what individual farmers decide to produce, but whether the cross-pollination and other things end up creating liabilities all throughout the farming region.

MR. AMSTUTZ: Well, I have some views on this, and they differ from some in the industry. But I've never been accused of not being candid, so let me be candid.

I think the initial problem developed because the biotech companies were in a rush to bring product to market before the approval process had been completed for the products of that product.

And so the seed was released in this country before the product of that seed was approved for usage in Europe and elsewhere in the world.

And they were warned about this, and they were advised that they should first wait for this to ensue.

But of course, research costs were high, and they were in a hurry to bring the product out and start to recover some of those costs, and I understand this.

There was then a certain amount of arrogance in trying to force acceptance, particularly in Europe, which unfortunately had counterproductive results.

And now we are sort of reaping the harvest of all of that.

I clearly think what has to happen is this --

MR. ZOELLICK: Or the whirlwind, if not the harvest.

MR. AMSTUTZ: Okay. The whirlwind is more like it. Thank you.

I think an enormous consumer education effort is necessary around the world about the benefits of this technology, and some of that is beginning.

I think we must quickly have a harmonized approval -- new product approval process.

My organization has suggested that the European Union, the U.S., and Japan form sort of an ad

hoc biotech product approval troika, and we suggested these three countries because we represent the largest exporters and importers and we represent the most active biotech industries.

I don't know whether that will ever be accepted. But I think product approval is the key. If product approval is realized, some of these other problems will evaporate.

And finally -- and this is political -- we have a lot of pride in this country, and we tend to think we do things better than others, and we sometimes think we know more than others.

And in this particular instance, both the private sector and the public have tried to induce the rest of the world to accept the U.S. FDA as the arbiter of what is sound science for determining safe products in this area.

And I say -- I do not denigrate the FDA in any way, but I'll tell you, it's just not going to be accepted around the world, and certainly not in Europe. And the sooner we get off that dead horse, the better off we'll be.

I'm an optimist over time on this. It has to come -- it all has to work. But in the short term, we could have some serious problems, and many of them logistical in how we handle products.

MR. ZOELLICK: Would you mind, if you want, to address the labeling issue and also the question of the European logic of risk assessment, which takes your zero risk idea and says, Okay, now we have to have a political judgement on risk?

MR. AMSTUTZ: Well, and they go one step further, and they say the so-called precautionary principle is an element of risk assessment.

And the precautionary principle translated means, Well, if you can't find any scientific reason for rejecting the product, this precautionary principle comes into play, and you just reject it on general principles, I guess. And so we have to somehow globally define that.

The -- I forgot the first thing you asked.

MR. ZOELLICK: The labeling.

MR. AMSTUTZ : Oh. The labeling. Well, now, what we've said is, If you're going to label it, just label it as it "may contain GMO's" and not ask

industry to go through this very cumbersome process and expensive process.

And unfortunately, that hasn't gained much acceptance, although it did gain some in the biosafety protocol discussions.

My association has been against labeling and been against the U.S. giving any air to this subject around the world.

But I heard what people said this morning, and I cannot argue where we seem to be headed.

MR. ANGELL: The Chair hasn't noticed any cue for additional questions, and so, Mr. Zoellick, you can present your question to Mr. Johnson at this time.

MR. ZOELLICK: I'd appreciate it.

MR. JOHNSON: Thank you, Mr. Chairman. I have a slightly different view of this issue than Dan does. I think it's a more fluid situation.

I don't disagree with your analysis of what has happened up to now, but I think the situation has more dimensions to it than that.

For example, China is very aggressively pursuing plant biotechnology and is going to shape

attitudes and acceptance levels for a fifth of the world's population.

I think we have a tendency to get overly preoccupied by European reactions and the process of trade engagement with Europe. And I think we need to step back from that and recognize three things.

First, in the first generation of GEM's, consumers didn't really see direct benefits to them. But there are products coming in the pipeline that will be on the market within two years that are aimed at introducing consumer benefits into the food supply.

And that is going to add a very different dimension, I think, to the debate about this type of technology and its application to food.

Second, I think it is important that we separate out the health and safety issues from the consumer acceptance issues.

And here I think it's important to clarify that even the European Union has not raised health objections to the round-up-ready soybeans and BT corn products. They have declared them safe for use as against their own standards.

What has developed in Europe is more an issue around consumer acceptance. It was a marketing initiative, by and large, on the part of retailers, who are powerful consumer marketers in Europe, to seize a marketing advantage by claiming that they had food supplies that were non-GMO.

They tried very hard to impose that at no cost to the system.

And I think what is happening now is that it's becoming increasingly evident that guaranteeing a non-GMO food supply is not cost-free.

And so I see the next round of this discussion being, what's the acceptable level of contamination or mixture, if you wish, and what costs are people willing to pay for different levels of purity? And then I think the debate takes on a different dimension.

MR. ANGELL: Mr. Amstutz --

MR. JOHNSON: May I just make one last comment?

MR. ANGELL: Sure.

MR. JOHNSON: And that's about the labeling issue, because I think labeling is going to be at the heart of this.

The United States has a labeling policy. The U.S. labeling policy is that GMO's that are substantially different or introduce a specific risk are to be labeled.

And that is not just a U.S. standard. That was a standard that was developed internationally under the auspices of the World Health Organization.

And it was the European Union that appears to have, temporarily at least, departed from that standard. But they're going down a labeling road right now that has lots of blind alleys in it.

They want to have a standard where a food product containing 1 percent GMO would require a label identifying it as containing GMO.

There are no tests in the marketplace that offer you any kind of assurance at point of consumption that that product can meet that standard.

Right now, Greenpeace and others who have been pressuring European retailers to go GMO-free are playing the game of quietly not challenging retailers

who make non-GMO claims. That's not going to continue forever.

We're going to have to get more serious and more precise about all of these claims. And as we do and the costs become clearer, I think that there is still a reasonable chance that sensible policies will prevail.

MR. ANGELL: Mr. Amstutz, I'd like to have your comments. I hear Mr. Johnson saying -- and excuse me if I go beyond what you said.

I hear him saying that China cannot have the luxury of a very significant debate on this issue, that the improvement on the well being of the Chinese people by enhanced productivity is surely going to lead China down a different direction than the Europeans.

And I guess I hear Mr. Johnson saying, over the next ten years, isn't China of far more pragmatic importance for U.S. agricultural exports than is Europe with all the trade games the Europeans are so fond of playing?

MR. AMSTUTZ: Well, we need all markets. And I agree with what he said about China. Of course,

the Chinese are very pro-biotech, as Asian countries are, as well, Malaysia, for instance, and Indonesia.

But the flap from Europe has affected the thinking in Japan, for instance, because when these products were quite new, we had no problem in Japan.

Now suddenly, there's much more nervousness in Japan, same for Korea.

MR. ANGELL: How about for the U.S.?

MR. AMSTUTZ: Well, and the U.S.

MR. ANGELL: I mean, are you --

MR. AMSTUTZ : We inherited that from Europe, I think.

And as I say, in the fullness of time, I'm very optimistic about this. But in this period -- and I have no idea how long the period lasts -- it could be quite a ticklish, difficult subject.

And to add to that, and to elaborate a little bit on what Robbin said, these raw materials are totally fungible. There is no way to distinguish, in size, appearance, or any other way, a kernel of corn that is a GMO and a kernel of corn that is not a GMO.

The whole system for handling these raw materials is predicated on all kinds of sizing things and so forth.

So I can take great pains -- to sort of echo what was said by the gentleman from Iowa State today -- to only buy corn from farmers who said they produced non-GMO and to clean out the truck bottoms and vacuum the barge bottoms.

But, by God, when I load that on the ship down at the Louisiana Gulf, I'm going to have a kernel or two of GMO's in there. It just is sort of endemic to the system.

And so zero is impossible. And we don't know, the industry doesn't know what tolerance we can live with. We know that the penalty, if you miss it, is enormous, because what you have is garbage. In the old days, we could dump it in the ocean. Now we're not even allowed to do that.

MR. JOHNSON: Three one-sentence factual statements:

First, most commodities are moving globally on a nondifferentiated basis. This is more a tempest

in the European teacup than it is a global issue so far.

Second, consumer food companies that monitor consumer attitudes find, in the United States, no significant increase in concern about genetically modified foodstuffs to date. Concern continues to be food-borne pathogens and the like.

And third, Japan is different than Europe, because Japan is willing to pay a premium for getting foodstuffs that are chemically free, that are non-genetically modified and the like.

They recognize what they want. And for small-niche markets, they're willing to pay a premium. But the vast majority of their imports are genetically modified.

MR. ANGELL: Commissioners, is there any desire to go to a somewhat different question or topic, or would you -- yes, Mr. Becker.

MR. BECKER: I don't know where this takes me. But Cargill is what I refer to as a multinational. I don't know whether that's a good term or not, but you have facilities throughout the world, you have operations in other countries.

Am I correct in assuming that, when unilateral sanctions are applied against a nation here in the United States, that you're prevented from trading with that country even from a third country. Is that correct? Am I correct in that assumption?

MR. JOHNSON: That would not probably be quite a correct assumption.

If the United States imposes unilateral economic sanctions on grain exports, it is on the export of U.S. grain. It is not on the conduct of U.S. companies in Argentina.

There are some exceptions to that. The Helms-Burton Act dealing with the comprehensive embargo of Cuba reaches very far into the activities of U.S. persons in other countries and in effect says that no U.S. person can be involved in trade with Cuba from any origin or in any corporate entity, even if it's a non-U.S. corporate entity.

MR. ANGELL: Has there ever been any challenge to the constitutionality of that provision?

MR. JOHNSON: Not that I'm aware of. On Helms-Burton? No. Not that I'm aware of.

MR. WEIDENBAUM: A similar question arose about the natural gas pipeline across Eastern Europe in the early '80s, and I don't recall a constitutionality issue with that, territorial concerns, but I don't recall any constitutionality issue arising.

MR. JOHNSON: No. I think that it's accepted that they can reach the activities of U.S. persons wherever we are.

MR. BECKER: I have two other things that deal rather specifically with that. I'm not a farmer, so I'm not knowledgeable on this, other than what was passed on to me - that the burden of research and development of the GMO's and other specific seed crops or grains is passed on, almost entirely, to American farmers.

In other words, you sell these GMO's and other specific seed products to other nations, to their farmers, cheaper than you do here in the United States, and that's considered a heavy burden on the American farmers?

I see at least one person in the audience nodding yes, so maybe I'm on the right track.

MR. JOHNSON: I don't know what you've been told. Cargill is not a researcher into biotech products nor a marketer of biotech products. In fact, we had to exit our hybrid seed corn business because we had fallen behind and were not participating in that technology.

There are licensing fees that biotech companies attach to seed products, and my impression is that those licensing fees do differ from country to country, more reflecting the costs of regulatory approval than the notion that, well, U.S. farmers are going to pay the lion's share of the costs.

The costs of getting products through the regulatory approval processes in the United States are higher than they are in other countries, and so they tend to reflect that in their pricing. But I don't know how large those fees are.

MR. ANGELL: Are there other questions from Commissioners?

(No response.)

MR. ANGELL: Mr. Amstutz, Mr. Johnson, is there any additional comments you would want to make?

MR. AMSTUTZ: I would like to make one comment to Mr. Rumsfeld, because he asked the question earlier of another panel member about economic sanctions. And he asked that panel member if there would be any exceptions to banning unilateral economic sanctions.

And as I recall, that panel member said, yes. And I would suggest, no.

We're not talking multilateral economic sanctions here, we're talking unilateral. And I would say no.

If you impose unilateral export sanctions, you create incentives for increased production in competing countries, because you've given them a new market.

And perhaps more important -- And Rob mentioned this -- you create fear in the minds of those countries who are chronic importers.

I can tell you that, going into this current round of WTO negotiations in agriculture, the first point on the government of Japan's list of negotiating objectives relates to food security and

relates to access, Japan's access, to food supplies around the world.

So it's an enormously important issue. I would beg to disagree from the other panelist.

MR. ANGELL: We look forward to your becoming a part of a public relations effort that would go something like this: For those that are interested in human rights, what more basic entitlement is there for people around the world, children around the world, than food security?

MR. JOHNSON: Well said.

MR. AMSTUTZ: Yes, it is.

MR. JOHNSON: May I add a -- well, I'm sorry.

MR. ANGELL: Sure. Because I stepped out of the Chair's role, and so I'm going to -- so it's entirely appropriate that Mr. Rumsfeld, with all his experience, would step into any world he wants to.

MR. RUMSFELD: I am confident -- probably shouldn't be -- but I am confident that I could outline a scenario where you would retract what you just said.

For example, you would not be opposed to the United States imposing unilateral food shipment

sanctions on North Korea were they today to launch a ballistic missile with a nuclear weapon at Japan?

MR. AMSTUTZ: Well, a long time ago, I learned not to respond to hypothetical questions. But I would --

MR. RUMSFELD: But obviously, there are exceptions.

MR. AMSTUTZ: But I would suggest to you that, if that would occur, we wouldn't be talking about a unilateral export sanction.

MR. RUMSFELD: But, for example, when the Japanese attacked Pearl Harbor, and the rest of the world was not yet engaged in that conflict, and only we had declared war on Japan, you would not recommend that we ship food to them.

So, clearly there are gradations. There are also periods of negotiations. So while I understand your point, and I certainly don't disagree with it -- and I certainly, above all, don't want to be argumentative --

(General laughter.)

MR. RUMSFELD: -- because I am deeply appreciative that both of you have come, and I understand your point. I'll stop at that point.

MR. ANGELL: Commissioner Rumsfeld, I bow to your superior strategic and global power background and experience.

But as an economist, I would say that it is a misperception to think that trading with anyone, that is, even trading with Japan in a pre-Pearl Harbor environment is harmful. As an economist I would say that trade is something in which everyone benefits.

And so I do not agree that cutting off one of our feet in order to cut off one of our opponents' feet is necessarily good warfare.

MR. RUMSFELD: Well, let me pick on that one. Wayne I'd like to ask, does this mean in 1939 and 1940, before war with Germany occurred, we should have been trading with Nazi Germany, after they had already engaged in the onslaught in Europe?

COMMISSIONER ANGELL: Commissioner, I have quite a few faults that my wife is very well aware of. And one of my tendencies is to go to extreme positions. And on this subject, I do take a very extreme position

which says that the well being of people around the world and of their children, of having food security, rank so high for me that I leave these other intricacies to you experts who know more than I do.

MR. BECKER: Mr. Chairman, as long as we have our toe in this water, I understand the argument with food. It's a basic life sustenance. And I also understand the argument that's being advanced on medical supplies.

But I want you to know that, from your end of it, as an economist, these same arguments have been made with every entity.

I listened in Washington to the same arguments being made on arms manufacturers, that if they don't get the arms from the United States, which had been supplying them before the unilateral sanctions, they would get them from another nation, and they did. There's no argument about that.

MR. ANGELL: Well, I want to clarify. As a young boy -- well, as a teenager, during World War II, spending many, many hours on a tractor and engaging in agriculture, and having the experience of how difficult it is to make a living in agriculture, there's

something about agriculture that embodies you in, the production of something that is so important to the well-being of people.

So I'm now saying do not cut off trade. I'm arguing as a farmer rather than an economist. Thank you.

MR. WEIDENBAUM: Mr. Chairman, I think it's time for the Chair of the Commission to intervene here.

On a different but close relationship to the assigned topic, this is a burst of unusual nonpartisanship on my part -- earlier I believe someone attributed the soybean embargo to Jimmy Carter. I believe that an earlier and Republican administration, i.e. that of Richard Nixon, deserves the credit for that dumb move.

MR. AMSTUTZ: Well, you are absolutely right. And let me tell you this. As a part of the trade for all these many years, I'm ashamed to tell you that the trade had a lot to do with that, too, because it was worried about supplies for domestic use. And it was dead wrong. You know, it was -- and did it for price reasons.

MR. ZOELLICK: Soybeans in '73 with Japan, and grain in '79 with Afghanistan.

MR. AMSTUTZ : Yes. And '80.

MR. JOHNSON: May I make a comment, too? I was --

MR. ANGELL: And your comment is going to be the last.

MR. JOHNSON: And I'm going to steer away from unilateral sanctions. But I did want to talk about -- a number of people talked earlier about the wisdom, in their view, of using unilateral trade initiatives of all sorts to deal with agricultural trade problems. And I just wanted to weigh in with a voice on the other side.

For example, on export subsidies, we are unlikely to disarm the European Union by trying to match their export subsidies. They are much more dependent on that tool than the United States will ever be, and we only hurt ourselves by creating price wedges in foreign markets.

But I think we can find clever, creative, multilateral ways to build leverage.

For example, within APEC or within the FTAA, approaching food-importing countries about reaching an agreement to create non-export subsidy free zones so that, in effect, importers are prepared to say, We are not going to expose our farmers to unfair competition from subsidized exporters.

I think that gives you more leverage, and it also begins a process of cooperation that should lead to trade liberalization in a way that subsidy wars never seem to.

MR. ANGELL: Thank you. The U.S. Small Business Small Trade Group was scheduled for three o'clock, but the Chair would like to get into that session earlier, hoping that we might be able to provide a little more time for this panel.

So if you would assemble, we will possibly allow a three-or-four-minute break. But I really would like to begin in three minutes. So at quarter till on that clock, we will begin this panel. Thank you.

(Whereupon, a short recess was taken.)

MR. ANGELL: The Chair is very appreciative of the panel being in place right on time, even though the Chair wasn't back on time.

But we're going to take just a couple of minutes to get --

(Pause.)

MR. ANGELL: James Wilfong is the Assistant Administrator of the International Trade of the Small Business Administration.

Mr. Wilfong has more than 30 years experience in the areas of international trade, having been President of TradeNex, an export management company.

You can begin, Mr. Wilfong.

