
COTTON UPDATE – 27 March 2006

The March 1 submission of the C4: Getting real substantive negotiations going

On March 1, the C4 submitted their submission **TN/AG/SCC/GEN/4**¹, introducing fully operational concepts on cotton specific modalities. Their comprehensive submission includes:

- a) Formulas to respond to and to implement the decision to treat cotton “specifically, ambitiously and expeditiously” in respect to trade distorting domestic support;
- b) Introduction of the concept of how to implement the same level of ambition and specificity in what refers to disciplines applicable to the blue box and to avoid that box shifting would void the efforts made in the amber box support;
- c) The launching of the process for the full elimination of all trade distorting support, independently of the colour of the boxes;
- d) The “*mechanism to deal with income declines in the cotton sector until the end of subsidies*” in the form of short-term producer safety nets tied to the commitment to long term sector reform; to be agreed as part of and within the Single Undertaking.

With this submission the C4 have now provided the substantive input for the implementation of the engagements taken by the Members in July 2004 and in December 2005 to address cotton “*ambitiously, expeditiously and specifically*” and that, “*... as an outcome for the negotiations, trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable. We commit ourselves to give priority in the negotiations to reach such an outcome.*”

The modalities proposed by the Cotton Four are worded in a way that permits – as a matter of fact imposes - immediate and independent negotiation of cotton specific modalities. The way the proposal is worded, even a final cotton decision would in no way

¹ See the full text of the submission furnished alongside this newsletter

pre-empt or influence any agricultural outcome. The proposal integrates the request of Members to link the levels of ambition in agriculture in general and in cotton specifically. The proposal of the C4 provides for a decreasing “additional level of ambition” under an increasing level of ambition for agriculture in general.

The proposal is indeed one of the only concrete and operational proposals concerning modalities which have to be agreed upon by April 30. It therefore was a welcome contribution to the negotiating process and it allowed the Chairman of the agricultural negotiating committee to cite it as an example, exhorting delegations to follow this example and to submit concrete, innovative proposals to move ahead in this negotiation. Delegations, while greeting the proposal reserved their opinion on it until they had the time to analyze it.

The submission has triggered a vivid public debate. The National Cotton Council of the USA was among the first to voice its concern. So far, this debate has remained confined to platforms outside the WTO negotiating floor. Neither the subcommittee on cotton held on March 2 nor the agricultural week from March 20 to 24 seemed to be in condition to deal with a proposal that offers the rare opportunity to start concrete negotiations in a situation starved for positive signals. On one hand, this is a pity, because it is an opportunity lost; however, there is still time to take up the elements of the proposal for a substantive decision on cotton at the April deadline. On the other hand, the reluctance of key trading partners to address the substance of the C4 proposal testifies in favour of the value and the comprehensiveness of the modalities proposed. It will be up to the Africans now to assure that this proposal is discussed “expeditiously”.

In order to ensure full compliance with the terms of reference of the cotton specific WTO process, the proposal has been limited strictly to cotton specific issues. Any horizontal matters, such as for example general disciplines on the blue and the green box, were not taken up because those need be addressed in the overall agricultural negotiations. Notwithstanding this self-limitation, it must be kept in sight that, even though cotton has its specific process, the final agricultural result in agriculture will still be decisive for cotton, too. Without properly addressing blue box and green box disciplines in the remaining negotiation process, we must expect that even the most ambitious and most differentiated result in favour of cotton will fall prey to blunt exercises of box shifting, the transfer of amber box measures into the blue and the green boxes. The C4 are well advised to seek maximum support among Members not only for their submission on cotton specific modalities, but also on adequate provisions and disciplines in what relates to measures under Art. 6.5 of the present Agreement on Agriculture and for those in compliance with Annex 2 of the same Agreement.

In the course of the agricultural week that was concluded past Friday March 24, it appears that Members concentrated on discussing the different simulations on opening up markets, as put forward by Members or Groups. While this is an important exercise within the negotiating process, it does not as such make advance the negotiations. Within this context, it is obviously difficult for the C4 to capture the attention of the Members and the negotiators on for discussing substantive modalities for cotton. However, the C4 are backed by and have the support of the decision taken in Hong Kong, whose text goes:

“Members agree that the objective is that, as an outcome for the negotiations, trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable. We commit ourselves to give priority in the negotiations to reach such an outcome.”

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