
COTTON UPDATE – 10 April 10, 2006

Meeting of the Cotton Subcommittee March 27 & the TNC March 28

The meeting of the cotton subcommittee held on March 27 was dedicated to discussion the C4 submission TN/AG/SCC/GEN/4 (see our Newsletter no 40).

Members have had the time, since the introduction of the submission some 3 weeks ago, to examine it and to come up with substantive feedback. A number of delegations supported the proposal, notably the European Union, the African Group, several Latin American Members including Brazil as well as large Asian Members. The EU inquired on the reasons why the proposal did not include the other two pillars of the agriculture negotiations — export competition and market access. For market access, The EU suggested that the developed countries' commitment to allow cotton products to be imported duty-free and quota-free should be extended to imports from all developing countries, not only the least developed. Moreover, the EU insisted that developing countries in a position to do so should make the same offer. In this context, the EU also recalled its pre-Hong Kong suggestion of totally eliminating Amber Box support for cotton. The United States reiterated their position that cotton modalities only be discussed after the agriculture modalities are agreed, blocking thereby a “true entrée en matière” on the substance of the modalities submitted by the C4 to Members.

Assessment of the result of the Subcommittee meeting

The modalities introduced by the C4 have been able to generate an encouraging support. It needs be emphasized, with the risk of repeating ourselves beyond usual levels, that the C4 proposal takes up and formulates modalities strictly in line with decisions adopted by Members in the July 2004 framework, further elaborated and endorsed by Ministers when they met in Hong Kong.

- The reduction formula and the blue box criteria address the specific, additional level of ambition, as decided for cotton, without pre-empting in any form whatsoever an overall agricultural result;

- The proposed modalities relating to the implementation period take up the specific decision by Members to implement a result in cotton “*over a shorter period of time than generally applicable*”, without pre-empting in any form whatsoever an overall agricultural result;
- The proposal to reach a decision on the cotton specific modalities by March 31 implements the decision of Members “*to give priority in the negotiations*”. To give priority means to do it first.

The refusal by some Members to engage in negotiations on cotton specific modalities is therefore in blatant violation of decisions taken by Ministers. This is even less understandable considering the fact that the C4 went to great length in making sure that their proposed modalities are worded and formulated in a way that excludes any pre-emptive effect on overall agricultural modalities.

The proposed modalities include provisions on the issue of the base period for product specific capping. While this issue was not discussed in the subcommittee meeting, the importance of the correct base period for the establishment of any such disciplines needs be underlined. The C4 propose the period of implementation of the Uruguay round (1995 to 2000). In this context it is important to underline that, as a matter of fact, there is no alternative to the base mentioned before in as much as the available notifications on domestic support, submitted by some important Members, do not go beyond marketing years 2000 & 2001. Information to assess the impact and effects of other base periods is therefore not readily available beyond the years proposed. Negotiators are certainly well advised to refuse any discussion of base periods that include non-notified years.

The Trade Negotiating Council (TNC) Meeting

In its meeting on March 28, the TNC took stock of the progress of activities since Hong Kong and more specifically since the previous TNC meeting held in February. The activities of the Negotiating Groups have moved forward to include simulations of different Market Access scenarios under negotiation, for both, Agricultural and Non-Agricultural market access. The WTO Director General concluded his stocktaking report by stating that: “*...the establishment of modalities as foreseen by the Hong Kong Declaration will require some sort of Ministerial involvement during the last week of April, with a safety net for the first week of May. For this to happen you will need to intensify your work between now and the start of the agriculture and NAMA weeks starting 17 April.*”

To sum up the mood today: a strong sense of urgency as we get closer to the deadline and, in my view, a need to change gear on all areas of the negotiation, starting with the triangle of domestic support and market access in agriculture and in industrial products.”

On cotton, and the question on modalities in agriculture, the Director General underscored that “... I probably do not need to remind you that Ministers have instructed that Cotton be treated ambitiously, expeditiously and specifically, within the Agriculture negotiations and through the Sub-Committee on Cotton. On the development assistance aspects of Cotton, I convened a meeting of my Informal Consultative Framework on 16 February and reported on the progress made then to Members at the Sub-Committee on Cotton on 2 March. A further report on progress was made at the Sub-Committee meeting which took place yesterday.”

A failure of Members to negotiate cotton specific modalities according to the terms set out in the July 2004 framework and the Hong Kong declaration would indeed constitute a bad omen for achieving the April targets as established in Hong Kong and ratified by Ministers at the occasion of their informal meeting held in Davos at the occasion of the World Economic Forum.

However, at a month of the April deadline, Members still have ample time to negotiate modalities; they have time to give priority to cotton as required by the Decision of the Hong Kong Ministerial Conference.

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IDEAS Centre, 10, rue de l'Arquebuse, 1204 Geneva, Switzerland
T +41 22 807 17 40, F +41 22 807 17 41