
COTTON UPDATE – 2nd November 2006

The C4 Ministers in Washington, DC: Defending the cause of African cotton in the United States

On 25 and 26 October, three C4 Trade Ministers and one Minister-Delegate for Agriculture carried the banner of African cotton to the United States. Mr Moudjaidou Issifou Soumanou, Trade Minister of Benin, Mr Bonoudaba Dabiré, Minister-Delegate for Agriculture of Burkina Faso, Mr Choguel Kokalla Maiga, Trade Minister of Mali and Mr Youssouf Abbassalah, Trade Minister of Chad, spent two days in Washington, DC pleading the cause of African cotton with the US authorities, civil society, academics and US cotton growers. President Compaoré himself participated via video conference from Ouagadougou in a C4 press conference, giving tangible proof once again of his firm commitment to the cotton question.

C4 ministerial coordination meeting

The African ministers and their ambassadors based in Geneva and Washington, DC met on the evening of 24 October to take stock of the situation with regard to the Doha Round and the cotton issue from a trade and development perspective. They also reached an agreement on the broad lines of a roadmap to defend this issue in coming months.

Bilaterals

On 25 October, the African ministers met with congressional staffers. In view of the upcoming mid-term legislative elections, the fact that some 15 staffers attended the meeting was in itself a positive development, even though the Congressmen themselves, who were in the midst of an electoral campaign, were unable to attend. The C4 took advantage of the visit to Washington, DC to start a dialogue - hitherto confined to the administration - with US lawmakers because they are the ones who will adopt the next Farm Bill. The discussions, which were constructive and stimulating, gave the C4 ministers an opportunity to make these key actors aware of the impact of the rich countries' cotton subsidies on their economies.

They then met with United States Trade Representative Ambassador Susan Schwab and the US Secretary of Agriculture, Mr Mike Johanns. In the words of the C4 representatives, the US authorities did not see any solution to the African requests without an overall agreement on agriculture at the WTO. On the other hand, they did reaffirm their commitment to the resumption and conclusion of multilateral negotiations. In its official minutes, the Office of the US Trade Representative recalled that Step 2 cotton support programs had been phased out and mentioned the millions of dollars in aid that Benin and Mali had received through the Millennium Challenge Account. The Africans recognised the value of those development projects but felt nevertheless that they failed to address the problem of trade-distorting cotton subsidies.

The C4's expectations were met by and large, even though no major breakthrough was made. The US authorities reiterated their usual stance on the need to achieve an agreement on agriculture before envisaging an outcome for cotton. At no point did they enter into the substance of the problems relating to subsidies. This situation was both foreseeable and expected. The driving force behind the meetings was above all the desire to resume and pursue the dialogue between African and US authorities, which had been interrupted since the suspension of negotiations. In addition, the C4 clearly demonstrated its commitment to the multilateral system and its readiness to resume negotiations.

Press conference¹

The C4 press conference took place at the prestigious National Press Club. It opened with a speech delivered by His Excellency Blaise Compaoré, President of Burkina Faso, who spoke live² from Ouagadougou via videoconference and fielded questions from journalists.

The President explained the current dire situation of the C4 countries, for which cotton played a vital role in maintaining the socioeconomic equilibrium in the region and backing efforts to combat poverty. He reaffirmed the African countries' faith in the multilateral trade system and expressed the belief that negotiations were the key to finding the best possible solution. He called on the US President and Members of Congress to shoulder their responsibilities when it came time to renegotiate the Farm Bill.

¹ For a retranscription of the press conference, see <http://www.agritrade.org>

² C.f. web site of the office of the President of Burkina Faso : www.presidence.bf

After taking questions, President Compaoré let the C4 ministers continue the debate with the journalists. One of the questions had to do with the possibility of the C4 lodging a complaint with the WTO Dispute Settlement Body against the United States, as Brazil had done in 2002. President Compaoré and the African ministers expressed a clear preference for a negotiated solution or a change in the US system, for example through the new Farm Bill. They did however add that, if necessary, they would not hesitate to use all means available to them to defend their interests, including the dispute settlement process, as a last resort.

Conference on cotton

On Thursday, 26 October, a conference on cotton was held at the Woodrow Wilson Center. It was co-organized by IPC³ (International Food and Agriculture Trade Policy Council), the Woodrow Wilson Center⁴ and IDEAS Centre. Following an introduction on the importance of cotton in Africa, discussions focused on three panels devoted to the trade question, domestic African competitiveness and the role of donors.

The day was marked by extremely varied and high-quality interventions. In addition to the C4 ministers, Crawford Falconer, chairperson of the WTO agriculture negotiations, and Florizelle Liser, Assistant US Trade Representative, voiced their views on problems relating to cotton. The panels were also composed of academics, development and trade actors and representatives of organizations of cotton growers, both American (Mark Lange, President of the National Cotton Council (NCC)) and African (François Traoré, President of the Association of African Cotton Producers).

In his work, Professor Dan Sumner (an economist specialized in agriculture at the University of California) had estimated that world cotton prices would rise by some 10% if the price-distorting US subsidies were phased out. However, the NCC representative minimized the impact of American subsidies on African cotton. He further predicted that the emerging countries would benefit from the elimination of US subsidies and from the rise in cotton prices to the detriment of the C4. He backed up his argument by demonstrating that African competitiveness had stagnated compared with other cotton-growing developing countries. He suggested that the African countries take a closer look at the case of China, which imported cotton to produce textiles at a very low cost, thereby ruling out a fair price for the commodity. In his view, that situation was only possible thanks to concealed subsidies. In turn, the African representatives endeavoured

³ Conference programme and information available at <http://www.agritrade.org>

⁴ The conference video will shortly be available at this address:
http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=202906

to show what a negative impact the US subsidies could have on the competitiveness of African cotton - which had a potential comparative advantage - above and beyond endangering the livelihood of 15 million cotton growers.

The panel on African competitiveness stressed how important it was for the African countries to keep trying to improve their yields so as to benefit from their comparative advantage. It was also clearly established that donor countries had a role to play from that perspective in ensuring that the investments needed to achieve these goals actually materialized. Above and beyond the usual statements of intent by donors on their commitment to the C4 countries, the need for better coordination between donors themselves and with the African authorities came out clearly. Moreover, the ministers reiterated the importance of short-term assistance to save the cotton growing sector, which was paralysed in some countries.

Crawford Falconer expressed frank and sceptical views as to the resumption of the Doha negotiations. He felt that both the Americans and the Europeans had some manoeuvring room to improve their existing proposals for reform. However, it was clear that until someone put something on the table, negotiations could not resume.

Florizelle Liser once again hammered home the US position, stressing that the general US proposal in the agriculture negotiations would make it possible to achieve results in agriculture and for cotton. She therefore urged the other key players in the negotiations to make concessions in order to ensure that the Doha Round could be brought to an end, for the cotton question as well.

The point of the conference

The aim of this conference was to discuss the full range of problems relating to cotton. The debates, in which diverging views were sometimes expressed, gave the participants an opportunity to grasp the complex nature of the question. However, it was clear that each partner had to shoulder his share of the "moral and social contract" so that cotton could continue to act as a driving force for development.

The questions of subsidies, competitiveness and aid could not solve the present cotton problem on their own. To ensure that the cotton sector promoted development, a real partnership was needed, where each and every one played his part.

There was an urgent need to ensure that all distortions were eliminated from the international market. The developed countries absolutely had to act and stop hiding

behind political rhetoric. The point had been made on many occasions that cotton was a textbook case for the Doha development round. Claiming that the Africans would not benefit from market liberalization was but a pretext - and a lame one at that - for not initiating international reforms. It was up to the market to work the situation out. Hiding behind the stalled negotiations and the guilt of the other actors did not exonerate the most powerful countries of the planet from assuming their responsibilities and reforming the cotton sector, be it only within the framework of the Millennium Development Goals. Those pretexts were inopportune.

The partnership also meant that the African countries would have to keep their share of the bargain and continue trying to improve their competitiveness. Comparative advantage was not immutable – it had to be constantly defended. Unfortunately, the C4 had not been able to make the necessary investments in the cotton sector, primarily due to the lost income of recent years. That was why donors now had to disburse the pledged funding. In the short run, the international community would have to mobilize in any event, because the situation had become truly catastrophic. It would be wiser to act now before it was too late. Now that the negotiations had stalled, the development component of the cotton sector had taken on added importance. Although aid was no substitute for a trade settlement, it was urgently needed, not only to find a short-term situation but also to ensure that the C4 was able to invest to establish a sustainable, competitive cotton sector with a view to trade liberalization. Many participants shared ideas on organizing international conferences on aid for cotton. Some actors proposed holding national-level meetings with donors to coordinate aid and draw up specific strategies for each country.

As Crawford Falconer explained clearly, all had to accept the fact that negotiations were probably stalled for good and act accordingly. Nevertheless, the C4 should continue to stress the urgent need to eliminate trade-distorting cotton subsidies, in connection with a rapid resumption of the Doha Round, within the framework of a development package, as suggested by EU Trade Commissioner Peter Mandelson⁵, or unilaterally. That meant that the African countries had to redouble their efforts to convince their partners, both multilaterally and bilaterally. Short and medium-term aid had to materialize, but as a complement, not a substitute, for a trade solution. Action should be taken on all fronts to ensure that cotton did not remain a mere symbol of the Doha Development Round but

⁵ C.f. speech by Peter Mandelson, dated 25 July 2006

also became the emblem of the trade component of the eighth Millennium Development Goal⁶.

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⁶ The eighth Millennium Development Goal is to « Develop a global partnership for development », cf http://www.un.org/french/millenniumgoals/goal_8.html