

COTTON UPDATE – 8 March 2007

Negotiations are going on... in London instead of Geneva?

London seems to have become THE place for bilateral trade negotiations. For the second time in a fortnight, the US and the EU, together with India and Brazil, met in London to hold talks and to try and agree on a working agreement concerning practical measures to relaunch negotiations. On 5 and 6 March, representatives of the four major players met in Geneva to continue their discussions with WTO Director-General Pascal Lamy.

Officially, everyone is still waiting for a working compromise

For the moment, no one can really say that things are moving forward. Officially, the compromise sought is still based on the same conditions: the US has to make deeper cuts in its agricultural subsidies while the Europeans have to try harder to reduce their agricultural tariffs. In return, the developed countries must open their markets up to non-agricultural goods and services. Insofar as all attempts to draft a formula for reducing customs duties have failed, the negotiating partners could take a different tack, based on demands in terms of export possibilities. There is even reason to fear that the old system based on requests and offers, that is, negotiation by product that would penalize developing countries with little to offer, could creep back unofficially.

Are the Europeans headed for a showdown?

French President Jacques Chirac took advantage of his high-profile visit to the annual Paris Agricultural Show on Saturday, 3 March to rap EU Commissioner Mandelson on the knuckles. Chirac is upset that Mandelson has made offers of 51% (or even more) for average tariff cuts, whereas Paris refuses to go above 39% on the pretence that the Americans are not really making an effort in terms of subsidies. These positions seem to contradict recent statements on cotton which Chirac made at the last Franco-African summit. This is a characteristic example of how hard it is for the developed countries to reconcile agricultural policy and development policy, especially during an electoral campaign, when it is more useful and pragmatic to enlist the support of farmers/voters rather than international understanding for development commitments. German Chancellor Angela Merkel is pushing hard for concrete progress and a 2007 conclusion

for the Doha Round and received Tony Blair's backing last weekend, but is she prepared to face France down on the thorny agricultural issue? Moreover, France, despite its statements, may not be in a position to oppose a WTO agreement, and none of the presidential candidates has taken a clear stand on the question.

The Americans are marking time...

On 5 March, Susan Schwab met at WTO with the African Group, which expressed its fears and expectations. With regard to cotton, the US Trade Representative did not agree that no progress had been made on cotton in the US since 2003. She mentioned the phasing-out of the Step 2 export support programme which, incidentally, was due to a legal decision by the DSB and has not really improved the status of the African cotton-producing countries, still waiting for cuts in trade-distorting subsidies. In addition, she reportedly told the African Group that the US refused to discuss the trade issue at the High Level Session on Cotton to be held at WTO on 15 to 16 March, on the pretext that it would be contrary to the principle of the single undertaking and prejudicial to the negotiations under way. It will be recalled that the mandate stemming from the July 2004 Package and reaffirmed in Hong Kong stipulated that cotton should be dealt with "ambitiously, expeditiously and specifically". Moreover, Ms Schwab assured the Group members that, notwithstanding its absence, the US would send a high-level delegation to attend the meeting, without specifying whether representatives would be dispatched for both trade and development questions.

On the domestic front, the Treasury Secretary seems to have upstaged Ms Schwab. Mr. Paulson is calling for an increase in world trade - "essential to our growth" - and for the conclusion of the Doha Round. He feels that a bit of progress in negotiations could lead Congress to renew the TPA for the Bush Administration, thereby facilitating the conclusion of an agreement. For the time being, both are being presented as complementary, but this state of affairs might not last long.

Conclusion

It is clear that all these discussions between major players will lead to an agreement between the US and the EU on the one hand, and between these two and India and Brazil on the other hand. In all likelihood, this "breakthrough" which the media has long awaited will more probably be a soft landing. The various Group Chairpersons will probably hold more talks and submit a text that reflects a compromise between the positions of the major players and input from all the others. This approach will no doubt help to avoid a situation where the other 146 WTO Members feel cornered by a G4 ultimatum. From that point on, the pace of negotiations should pick up.

For the African cotton-producing countries, this means three things:

- It will be important to ensure that cotton is included in the texts of the Chairman of the Committee on Agricultural Negotiations, not as a question to be answered but as a solution that is proposed, in accordance with the mandate of the July Package and the Hong Kong Declaration;
- The developing countries will have to see to it that the modalities-based approach is maintained while avoiding a shift to a purely mercantilist approach;
- As it is being held too soon for the submission of concrete proposals in the negotiations, the High Level Session on 15 and 16 March will probably add nothing or very little to the trade dimension of the cotton issue.

IDEAS Centre offers policy advice services to developing and transition country governments in the areas of international trade, development and economic governance. In relation to the World Trade Organization (WTO), IDEAS Centre helps low-income countries defend their trade interests and thus use their WTO membership in a way that supports their development.

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