
COTTON UPDATE – 3 May 2007

A new negotiating text for discussion in the Committee on Agriculture

After days of waiting, announcements and unexpected postponements, the long-awaited text of Crawford Falconer, Chairperson of the Committee on Agriculture, has finally come out. Initially billed as a text of challenges, it boils down to an analysis of key negotiating elements rather than a series of “upsetting questions”. As far as Falconer is concerned, the time for political posturing is past and members have to bite the bullet.

A new approach

The text is neither a set of modalities nor a list of questions: it focuses on points that will get discussion going and lead the Members to make new, compromised proposals. As Falconer sees it, these key points can be broken down into three categories:

- Fields in which there are “centres of gravity” (possible agreement);
- Fields in which it might be possible to narrow the gap between conflicting positions;
- Fields in which no agreement is possible without substantial changes to proposals already on the table.

The main points identified relate to trade-distorting subsidies and tariff cuts. With regard to the former, Falconer expects the US to go well beyond the USD 22 billion already on the table. He feels that 19 billion is the limit but sees an acceptable compromise around 10-15 billion. For the amber box, Falconer is looking for a 60% cut by the US and Japan and a 70% cut by the EU. In term of base periods, the US is still pushing for 1999-2002 while the majority of members appear to prefer 1995-2000. As far as the blue box is concerned, there is a proposal to lower the ceiling from 5% to 2.5%. There is no convergence as yet as to ceilings on a product-specific basis or a combined blue box-amber box ceiling.

In terms of overall tariff cuts, the compromise between the 39% suggested by the EU and the 66% proposed by the US should work out to around 50% for the developed countries and two-thirds of this rate for the developing countries. A major difficulty lies ahead as to tariff cuts in the highest band, where a compromise will have to be found between Europe's 60% and America's 85%. Finally, sensitive products and special products – both fields in which an agreement is still a long ways off – appear to be the sticking-point of the negotiations, especially as regards defining their scope.

Initial reactions

It is clearly in the negotiators' interests to treat the new proposal with some disdain, and the initial reactions were not long in coming. Japan and the G10 in general are rejecting Falconer's proposal to limit lines classified as "sensitive products" to 5% of all tariff lines. In the case of Japan, for example, this would imply drastic cuts in the number of products concerned, hence significant concessions in terms of market access. Rather than reacting right off the bat, the US and the EU have explained that their experts were perusing the text.

Any news as to cotton?

Although cotton appears in a separate heading in Falconer's text, his comments are limited to domestic support. There is nothing about export subsidies or market access, as Falconer rightly feels that the Hong Kong Declaration is sufficient in this regard. Some editorialists have taken Falconer's comments to mean that he does not see an agreement on cotton before an agreement on agriculture in general. But this approach is wrong. It would appear that Falconer has set a relatively high standard for cotton. He has recalled and reiterated that the outcome for cotton must not only be slightly more generous *per se* but also more ambitious than in agriculture. He has also recalled that the C4 proposals on the table are still valid and meet the criteria set out in the Hong Kong Declaration. Nevertheless, unlike in other areas, he has not made any concrete proposals or delved into proposals for an outcome. This may be due to the fact that the negotiators have not always taken up the concrete proposals already on the table.

Conclusion: What next?

A meeting to give Member States an opportunity to react to the text has been scheduled for Monday 7 May and a new text of modalities is due for the end of May. Falconer has presented his text as an alternative to the lack of G4 results and as an answer to the growing frustration of the other WTO Members. In response, the G4 seems to be picking up the pace. Senior officials met in London on 1-3 May, while ministerial meetings have been scheduled for 17-18 May in Paris, 10 June in London and for the week of 14-19 June. The venue for the second June meeting has not been set but it could be Beijing, which would tend to indicate that China, which has been keeping a low profile, wants to get more involved in the negotiations... Now, all we have to do is hope that the parallel efforts of the G4 and the Committee on Agriculture will lead to the long-awaited genuine breakthrough.

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