
COTTON UPDATE – 5 June 2007

Concrete progress on cotton; rumours and uncertainties for the rest...

The second text of “challenges” from the Agriculture Chair came out on Friday, 25 May. As expected, it dealt with questions not covered by the first communication dated 30 April¹. Consultations on the proposals set out in Ambassador Falconer’s two papers took place in small groups and a special informal meeting of the Committee on Agriculture was held on Wednesday, 30 May to report on the talks. Parallel to these efforts in Geneva where the tempo seems to have picked up, senior G4 officials have stepped up the frequency of their meetings over the past few days, fuelling rumours of a breakthrough within the G4.

The second paper

This second paper primarily deals with the special safeguard mechanism, tropical products, small and vulnerable economies, the green box, LDCs, Recently Acceded Members, tariff escalation and preference erosion. In the midst of all this is a small paragraph specific to cotton on market access. The first paper referred only to domestic support in the section on cotton, which implies that the issue of export subsidies had still not been tackled. This confirms the impression that in Falconer’s view, the matter is a non-question or a virtually settled point. Nevertheless, the date for the commencement of the implementation period is not an insignificant point. Even though it seems clear that the 2006 deadline set out in the Hong Kong Declaration can no longer be kept, it is not yet clear exactly what the new modalities will be.

To come back to the second text, in the section on market access for cotton, Falconer recalls the Hong Kong terms² and goes further still. He proposes that developing

¹ For a detailed analysis of the text, see Newsletter No. 63.

² “On market access, developed countries will give duty and quota free access for cotton exports from least-developed countries (LDCs) from the commencement of the implementation period.”

countries that feel they are in a position to offer duty-free and quota-free access to cotton imports from LDCs should grant such access. In so doing, he takes up a C4 proposal included in the 16 June 2006 submission. There is no gainsaying that, as far as the C4 are concerned, tariff concessions from emerging countries are much more meaningful than similar concessions from developed countries. Indeed, the European Union already applies this principle with the 'Everything But Arms' initiative, and the US, which does not import cotton, levies an extremely low tariff on unprocessed cotton.

From consultations in the F room to an informal session

The number of *à la carte* consultations in small groups has increased over the past few days in the F room at WTO. It would appear that there is solid support for the C4 from virtually all members. Even the US, which has always maintained until now that an ambitious outcome in agriculture would suffice for cotton, would have reportedly for the first time acknowledged the need for specific modalities for cotton. The special session held on Wednesday, 30 March provided an opportunity to report on these meetings. With regard to market access, the talks are said to have focused on cuts to be made in the top band. A G20-US coalition is expecting an ambitious outcome in this respect. Moreover, Ambassador Falconer has recognized that the question of sensitive products remained very problematic indeed. Lastly, he noted that open discussions were still needed to reach a consensus on export subsidies, cotton and special products. Also according to the Agriculture Chair, a provisional negotiating text should be issued in mid-June, on the basis of the two papers setting out challenges. This paper is to be discussed by the members before a new version is issued at the end of the month.

Intense activity but latent scepticism

Despite this burst of activity in Geneva, the scepticism is palpable. The impasse in agriculture is not an isolated case in the negotiations. Don Stephenson, Chair of the Committee on NAMA negotiations, deplores the total lack of convergence between the rich countries and the developing countries on non-agricultural products. However, like his colleague in the Agriculture Chair, he hopes to produce a negotiating text for distribution by early July.

Along with the multilateral activities, senior G4 officials convened in Paris from 29 to 31 May. They are due to meet again in London on 10 June, and yet again between 14 and 18 June. The number of meetings bears witness to the intensification of talks within the G4 in preparation for the June Ministerial. For several days, the G4 Trade Ministers will

discuss or even negotiate (which would be a real step forward!). They have set 23 June as the cut-off date for finishing the work of their group. Obviously, by the end of this meeting, it will be much clearer what the chances are of winding up the Doha Round.

On the fringe of the G4, the world's two largest economic powers held a bilateral meeting on 1 June in Brussels. USTR Schwab and USDA Johanns were there to talk to their European counterparts Mandelson and Fischer Boel. They "surfed" on the desire of political leaders to conclude a deal. Earlier in the week, Commissioner Mandelson had threatened to revise the EU offer downwards if his discussion partners did not make an offer he deemed sufficient. Moreover, the odds are that international trade will feature prominently on the G8 agenda in Heiligendamm (Germany) this week. It is well known that Germany, which will also hold the presidency of the EU for a few more weeks, is determined to conclude the Doha Round.

Conclusion

June is shaping up to be a critical juncture in the negotiations, both in the multilateral framework and in the plurilateral satellite activities (G4). For months now, people have been saying: "Now, it's make or break". They may have got it right this time...

When it comes to a level playing field in negotiations, it is regrettable that, once again, the French-speaking and Spanish-speaking countries had to wait for Ambassador Falconer's text in the language of their choice during several days and had to make do with the English version when preparing their positions. This may seem ridiculous but in some cases it considerably reduces the analytical capacity and opportunities for reaction of small developing countries that do not have an army of bilingual experts at their beck and call.

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