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**COTTON UPDATE – 14 June 2007**

**Trade Matters Surrounding the G8 Summit**

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Breaking the inertia of the Doha Round of WTO trade talks is proving to be decidedly difficult. The process is currently being tackled from two sides, one technical and one political. On the political front the G8, representing the world's richest, met in Heiligendamm, Germany in the week of 6-10 June 2007. Realistically the business of breaking the negotiating inertia is likely to be fuelled at the politically orientated level, where compromises can be sanctioned from the highest levels, as opposed to at the purely technical level.

**The G8 Declaration**

In the final G8 communiqué trade featured as item 9 out of 9 issues addressed by the Summit. This prioritization, or lack thereof, was an early portent to a rather lacklustre one page declaration on trade which did not venture far from established rhetoric. The trade declaration echoes the opening paragraphs of the 2001 Doha Declaration by expressing a full commitment to the development and pro-poor dimension of the Doha agenda. The G8 leaders stressed their desire for the achievement of (with some wording borrowed from the cotton initiative) an 'ambitious, balanced and comprehensive agreement on the Doha Development Agenda', concluding notably that by intensifying of negotiations, a conclusion of the Doha Round by the end of 2007 was their goal. To this end the G8 did recognise that the time had come to translate the continued commitment on political level into tangible results. They thus urged trade ministers to provide what they referred to as a 'solid platform for a multilateral negotiation' which would lead to an agreement on modalities within weeks. Short of instructing the trade ministers to proceed with the much needed compromises, they took a softer approach and called for the exercise of 'flexibility' by WTO Members, accompanied by 'all necessary efforts' by the negotiating groups in Geneva to achieve a timely breakthrough.

While making the predictably correct, but well known utterances, the G8 have failed to go far enough in making probing intrusive progress into making a political contribution at the highest level to break the present negotiating inertia. The declaration is disappointing in that it misses an important opportunity of making a proactive progression in the deadlock breaking process.

### **The Trade Environment surrounding the G8 Summit**

In an address to the US Global Leadership Council on 31 May 2007, President Bush took a very pro-trade stance in advance of this pending G8 Summit. Bush commented that new trade opportunities were essential in bringing progress and prosperity to 'struggling nations'. Bush hinted that the Administration still required the backing of Congress to pass the most recent FTA's under the so called 'labour standards compromise' reached with key Democrats in May. Congress agreed on a new trade policy that will be applied to free trade agreements with Peru, Colombia, Panama and South Korea; but these bills are yet to be officially passed. However this June the matter of the renewal of US Trade Promotion Authority (TPA) will come to a head with the current authority expiring at the end of the month. The agreement reached on approval for bilateral trade deals provides some hope that a compromise between the Administration (Republican) and the Congress (Democrat) on TPA may be in the offing. This may mean that while a comprehensive extension of TPA could still be withheld; there may be a less ambitious extension of the present TPA, just to complete the Doha negotiations.

More concerning is news from the EU where the newly elected French President, Nicolas Sarkozy, also decided to enter the WTO fray in advance of the G8 Summit. Sarkozy has taken on the traditional mantle of French protectionist policy for agriculture. Sarkozy is quoted as saying that France would go as far as vetoing any WTO deal that did not satisfy its requirements on agriculture. These requirements include the resurrection of a 1960's principle called: 'Community Preference'. This simply means that the EU buys EU products first. While sounding a patriotic tone at first ring, this type of device is most likely a prohibited subsidy in the WTO. Some precedence for this has also been expressed in the EU itself where the European Court of Justice ruled that it was not a principle of

EU law back in 1994. None the less the lines seem to be draw between the major powers if this stance is compared to that of Bush in the US.

In a parallel process, arguably more important than the G8 Summit, the negotiating sub-group, the G4, (the US, EU, India and Brazil) has been meeting with great regularity, with mixed but encouraging success. Our observation is that when the G4 have tentatively floated proposals there have been numerous voices from within the WTO Membership, responding to the ideas floated, indicative of a buoyant negotiating dynamic present at the moment. The G4 initiative highlights the necessity of agreement between the key players even if this means a difficult, but plausible, job of reconciling any emerging centre of gravity with the aspirations of the other WTO Members.

### **Developing Country Stance**

In an unofficial response to the G8, developing country coalitions met and responded as a unified group, probably for the 1st time ever on 11 June. The G-20 countries hosted the meeting and of the coordinators of the G-33, the ACP, the LDCs Group, the African Group, the Small, Vulnerable Economies (SVEs), the C-4, the CARICOM and the NAMA-11 attended. These Ministers and Senior Officials concurred with the end of 2007 as a plausible round conclusion date, and stressed that the centre of the negotiations should remain in Geneva.

The Groups recalled that Agriculture lies at the center of the round. They called for the elimination of all forms of export subsidies within the 2013 deadline. On domestic support they confirmed that only a 'low teens' number would be acceptable from developed countries, without migrating distorting elements into the Green Box through box shifting. On market access they agreed that a 54% overall cut for developed countries (36% max developing countries) would be acceptable, noting the crucial role of special products and the special safeguard mechanism. They also pleasingly reemphasized that the cotton mandate needed to be discharged 'ambitiously, expeditiously and specifically'.

## Conclusion

The 'big players' of the developed world had the opportunity of adding further weight to the Doha discussions last week. Time is fast running out to reach a breakthrough at a political level, needed to precipitate a technical solution in the form of concrete modalities, if the Doha Round is still to be wrapped up by Christmas 2007, as all now rate as plausible. The domestic political dynamics in the US and the EU will be highly influential in the coming days. The G8 Summit had the potential to go beyond carefully re-quoting existing Doha language and break new ground in issuing its closing declaration, but unfortunately stopped short of this challenge. What is significantly gained is a first world political commitment, responded to and agreed to by developing countries; that the Doha Round must end in 2007. The weight of responsibility now returns to the Geneva negotiators, who will be closely watching the next steps of the G4 interaction.

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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. This text was compiled by the IDEAS Centre research team.

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