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**COTTON UPDATE – 14 September 2007**

**Back to work**

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Every year in September, it's back to work, and the WTO is no exception to the rule. What is different from last year is that the month of July ended not with a resounding suspension of negotiations but with an invitation by the Chairs of the negotiating committees and the Director-General to take the time to consider the texts of modalities that were rolled out on 17 July 2007 in the Agriculture and NAMA committees.

**History repeats itself**

However, for the umpteenth time since the Doha Round began, we are told that the negotiations are at a turning-point. This is what we heard when Davos rolled around, then in Potsdam... Pascal Lamy has said that we have reached a "make-or-break" point. As was the case last year, the APEC leaders who just met in Sydney have called for the resumption of negotiations. Once again, it appears that only the political will of all members can get things moving now. Granted, the calendar cannot be stretched any further, and as US elections move closer the first quarter of 2008 seems to be the outside limit for the possible conclusion of the Doha Round. In a new development, the WTO Director-General seems to have traded his unshakeable optimism for full-blown pessimism that is perhaps a bit overdone: economic crisis, social frustration, loss of confidence in the system, political instability and even terrorism could be some of the more or less direct consequences of a Doha failure.

**So where do we stand today?**

Agricultural negotiations started again when the WTO reopened on 3 September. The number of E/F rooms meetings (in small groups) has increased sharply and a forum on transparency in agricultural negotiations has been scheduled for 14 September. Apparently, the divergences between developed and emerging

countries and the mutual resentment did not disappear over the summer. United States Trade Representative Susan Schwab is accusing South Africa, Argentina, India and Brazil of wanting to “destroy the Doha Round”. Yet the latter have always felt that the concessions sought in terms of market access far outweighed the subsidy cuts in the developed countries. Within the European Union, whereas Commissioner Mandelson still believes in an agreement, the French Minister of Finance, Christine Lagarde, has said on more than one occasion that she did not see how the gap could be bridged. George Bush is broadcasting to all and sundry that the US has the flexibility and the will to ensure an agreement, but without TPA and with a Farm Bill that announces record subsidies, just how credible is he? To sum up, it would appear that positions have hardly budged. Although prospects for a successful agreement are no better, neither are they any worse... One silent bystander in the negotiations could be persuaded to take on a more important role in the negotiations. China, which has accepted the texts of modalities as a basis for discussion, has been invited by many other members, including the US, to adopt a more proactive approach in the negotiations.

### **So what about cotton?**

Even though all members (or almost all) agree that there can be no Doha without cotton – particularly with regard to the Hong Kong commitments – it is crystal clear that there cannot be any solution to cotton without Doha. As explained in previous newsletters, Ambassador Falconer’s modalities for cotton by and large take up the C4 proposal. As the Chair for agricultural negotiations himself explained, this was not because it was the best proposal, but rather because it was the only one that respected the Hong Kong commitments. The problem is not so much cotton in the agricultural modalities as certain modalities for agriculture in general that could have an impact on cotton: base period, Blue Box ceilings by product, and control of shifts to the Green Box.

The fact that Japan recently gave notice of its subsidies (less Orange Box and a shift to the Blue and Green Boxes) should serve as an argument to encourage other countries, especially the United States, to provide notice of their domestic support spending – something which they have not done since 2001 and which could facilitate negotiations and mutual understanding.

As for the C4, it is firmly back on the negotiating track after a ministerial coordinating meeting in Ouagadougou on 6 September, where the four countries drew up a road map and prepared a joint statement.

### **The proliferation of regional agreements**

Is regionalization a stage or a stopgap in globalization? One could say that in a context where multilateral negotiations continue to be held in parallel and to provide results for all countries as a whole, regional integration represents one stage in multilateralization. However, when multilateral negotiations have bogged down, regionalism may appear as a fallback. The great powers have no problem with negotiating in a bilateral or regional framework. On the other hand, small developing countries have much less negotiating leeway than in a multilateral format, especially if the regionalism is asymmetric (that is, between developed and developing countries), as is the case with the Economic Partnership Agreements between the ACP and the European Union. In any event, the issue is a matter of concern for the WTO. As Pascal Lamy pointed out at the opening ceremony, on 10 September 2007, of a conference on this topic organized by the WTO Secretariat and the Graduate Institute of International Studies in Geneva, the point is not to determine whether regionalism is good or bad but rather how regional agreements can promote, not hinder multilateralization and complement, not replace multilateralism. APEC, which has just announced that it wants to make the WTO negotiations its trade priority, is nevertheless preparing an Asia-Pacific free trade agreement that looks suspiciously like a fallback solution in case Doha fails... Before trying to make regionalism an alternative to multilateralization, we must be 100% clear in our minds that some subjects, such as the very worrying issue of subsidies, can only be treated at the WTO.

### **Conclusion**

Now, the point at issue is to determine how much time and manoeuvring room the WTO members really have to conclude not just any old agreement, but an agreement that takes an ambitious approach to development and the integration of less privileged countries in the world economy. The end of the negotiations will be political, or they will come to nought.

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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.

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