
COTTON UPDATE – 1st October 2007

A wind blowing hot and cold on the agricultural negotiations

At the end of July, there was general agreement that even though things were not really moving ahead in the agricultural negotiations in general, cotton's position in the modalities presented by the Agriculture Chair was nonetheless very positive. Today, we are obliged to recognize that the opposite is true: it would appear that significant progress is being made in agriculture while cotton remains at a standstill.

The US hue and cry over cotton

Until now, the American have "quite simply" refused to take up the cotton issue, in particular by failing to submit a written counter-offer to the C4. Last week, however they explicitly threw back into question one of the Hong Kong commitments stressing the need for a rapid solution to the cotton problem. Ms Schwab said loud and clear that an agreement on cotton could only come after an agreement in agriculture, thereby calling into question the commitment to give cotton priority within the negotiating process. This position is all the more surprising in view of the fact that the US negotiators in Geneva stepped up the number of meetings with the C4 in September. Everybody was expected a written proposal shortly. Everyone is waiting for this proposal in order to press ahead with the negotiations, in conformity with the Hong Kong mandate. Nevertheless, it seems that the US have never officially said when the offer was supposed to come. Furthermore they have never said that it would come before an agreement in agriculture in general.

Also last week, several US Senators "reconfigured" the manoeuvring room of the US Trade Representative by sending her a very explicit open letter: if radical changes are not made to the modalities in the text on cotton, these Senators will vote against the ratification of a possible Doha agreement and against TPA renewal, as the case may be. The co-signers of the letter also renege on the

Hong Kong commitment of special treatment for cotton. In a few short days, the US has managed to remove (or has in any case tried to remove) a feature that for years has been viewed as a gain in the negotiating process. It has adopted a negative tack with regard to cotton, as underscored by the visit that representatives of the US National Cotton Council paid to Geneva. The representatives are trying to prove that the real problems of the C4 and of the African countries in general are China, the indeterminate amount of its subsidies and its restrictions on market access. Even though it is true that the Chinese question must be asked and debated, it must come as a complement, not a substitute, to the question of US subsidies and, to a lesser extent, European subsidies, for cotton. As a rule, the US talks up its cotton aid programmes (both specific and general, such as WACIP¹, AGOA² and MCA³) to justify efforts already made in this field.

Precisely in the area of cotton, pressure is being brought to bear on the Americans, not only by the C4 but also by the African Group, the LDCs, the ACP and the powerful G20 members. According to a source in Geneva, “a US proposal on cotton would serve as a useful indicator of how ambitious a Doha Round outcome would be”. As for the European Union, it by and large supports the C4 proposal (particularly the formula for Orange Box reduction) but says that it has a problem with the Blue Box product-specific cap. The Europeans are referring to a constitutional problem relating to Greece’s accession treaty which “would force” the EU to grant support for cotton production. The C4 countries, which enjoy the backing of a great many delegations, have urged the EU to seek a solution on its side, and feel that the problems between the EU and the C4 are anything but insurmountable.

Enthusiasm with regard to agriculture

The US onslaught on cotton in the negotiations contrasts sharply with its recent offer to accept the range that Ambassador Falconer proposed in his text of modalities, an element on which the US had not yet taken a stand. For the first time, the Americans have agreed to lower their farm support ceiling to between US\$ 13 and 16.4 billion, as compared with the current ceiling of US\$ 22.5 billion.

¹ WACIP: West and Central Africa Cotton Improvement Program

² AGOA: African Growth and Opportunity Act

³ MCA : Millenium Challenge Account

What was prematurely presented as a major step forward has been qualified by the US itself, which has underscored that it never formally opposed the text of modalities. It will be recalled that the US spent some US\$ 11 billion last year, and the price rises for the great majority of agricultural products tend to indicate that consumption of subsidies (price supports) will be low over the next few years. Even though the step forward by the US is welcome indeed, the “concession” is still viewed as insufficient by the G20 countries, which feel that they are being asked for too much in return as far as market access is concerned.

Although the US administration appears eager to boost the Doha process, the general feeling on Capitol Hill as to a successful conclusion of the Doha Round remains downbeat. With this offer, the Americans have gained an advantage in the negotiations and have passed the buck, especially to the emerging countries. Naturally, for the US offer to be valid, the other countries must accept the ranges proposed in the text of modalities, especially with regard to market access for non-agricultural goods. The fact that they have moved forward a step on the negotiating board seems to give the Americans the right to play the “blame game”, in particular by singling out Argentina, Brazil, India and South Africa.

Conclusion

As Ambassador Falconer himself says, it is not yet time to break out the champagne, but it is time to check to see that there is some champagne in the cellar! Moreover, he has suggested a two-week break in the multilateral process to give the delegations time to discuss with each other and to check back with their capitals. Although the pressure is now clearly on the emerging countries, it is also, in a more subtle way, on the C4 group. It is difficult to deal with a player who has indeed broken a negotiating stalemate in a virtually unexpected manner, but who has done so by going back on part of his prior commitments, with no regard for previous negotiations. Now, the important thing is to make sure that there is enough champagne to go around and that cotton does not wind up as the real loser in the negotiations.

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IDEAS Centre, 10, rue de l'Arquebuse, 1204 Geneva, Switzerland
T +41 22 807 17 40, F +41 22 807 17 41