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**COTTON UPDATE – 19 November 2007**

**Will the solidarity of the developing countries be put to the test?**

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Brazil has invited some thirty high-level officials from emerging countries to Geneva for a G20 meeting and a series of consultations with the other groups of developing countries on the stumbling blocks in multilateral trade negotiations.

**Limited participation...**

Participation was not on as high a level as hoped. Although the Trade Ministers of India, South Africa, Indonesia, Paraguay, Tanzania and Uruguay were present, along with the Deputy Trade Ministers of Cuba and Ecuador, the other countries were represented by their Ambassadors to WTO. This relative lack of participation could well reflect certain rifts within the G20 and more generally within the group of developing countries, as some observers have noted. It would appear that the closer we get to the end of the negotiations, the more the solidarity of the groups will be put to the test. Purely national interests are resurfacing and everyone has their own way of seeing things, especially since we seem to be moving towards an outcome that is more modest than ambitious.

The solidarity of the developing countries has been sorely tested of late. Some members of customs unions (SACU and above all Mercosur) have asked for additional flexibility, as reflected by the possibility of excluding 16% of their industrial products from any tariff cuts. Other developing countries which do not belong to these customs unions, such as Mexico and Costa Rica, are dead set against such an exception. The United States and the European Union have given the Mercosur proposal a very cool reception. However, the EU has been more responsive to the concerns of SACU, a factor that could maintain certain divisions within the developing countries.

Difficulties in concluding Economic Partnership Agreements (EPAs) between the ACP countries and the EU before the expiry of the WTO derogation for non-reciprocal preferences could further split the developing countries, between ACP

countries and countries outside the region. If EPAs are not concluded in time, the ACP countries would automatically fall under the Generalized System of Preferences (GSP) granted to all developing countries. Some ACP countries could benefit from the GSP+ granted to so-called vulnerable economies. Certain non-ACP developing countries have already said that they would not accept any new derogations, particularly for sensitive products like sugar and bananas (which are not covered by the GSP).

The G20's insistence on maintaining unity and solidarity among developing countries perhaps reflects the need to paper over the cracks at a time when the developed countries continue to hold them responsible for the current impasse. Amorim, the Brazilian Foreign Affairs Minister, entreated developed countries to avoid further splits between the developing countries, particularly as far as market access issues were concerned.

#### **...but a firm declaration**

Despite the many comments on the divide between developing countries, or perhaps because of them, the countries represented at the G20 meeting wished to reaffirm their solidarity in a G20 communiqué and in a joint communiqué of the G20, the G33, the ACP group, the LDC group, the group of Small Vulnerable Economies and the C4.

At first glance, the G20 declarations remain relatively general. The G20 stresses the importance of agriculture for a Round that is supposed to focus on development and places the debate on agriculture at the heart of the discussions insofar as, in its view, it is the agreement on agriculture that will determine the level of ambition for Doha. Nevertheless, it recognizes the need to strike a balance between agriculture and NAMA. The communiqués do not go into detail on concrete proposals to move crucial negotiating points forward.

On the fringe of the summit, Celso Amorim quite rightly stated that “we have a situation in which the current draft text on NAMA is ‘what-you-see-is-what-you-get’ while the draft text on agriculture is full of obscurities on issues ranging from product-specific subsidies to the treatment of sensitive products. In contrast to the NAMA draft text, agriculture is not necessarily what you get because what is being given with one hand may be taken away with another hand...”.

In the discussions that followed the summit, Trade Ministers Amorim and Nath pushed the US to renew the Trade Promotion Authority, a tool they deem essential for the pursuit of serious negotiations. From their perspective, it is vital to ensure that an agreement will sail through Congress without amendments, whereas the Americans see this approach as a means of confusing the issue and shying away from the real problems.

### **Cotton**

The G20 communiqué contains the most explicit references to and the strongest support for cotton. The G20 advocates reducing subsidies down to the lowest level of the range proposed by Chairman Falconer and strict discipline to avoid uncontrolled transfers between boxes in general, with a more rapid and stronger commitment to cotton. The G20 also affirms that, with regard to trade and development aspects, cotton must be dealt with in harmony with the Hong Kong commitments “on the basis of the proposals submitted by the C4”. The Indian Trade Minister, Mr. Nath, clearly stated that “without an agreement on cotton, there can be no agreement in agriculture”.

### **Conclusion**

The strict dichotomy between developed and developing countries may no longer apply. On the fringe of the negotiations (but still within the WTO), alliances are forming and coming apart, and North-South cleavages are sometimes overcome by joint action. Canada and Brazil have both decided to lodge complaints against the US for domestic support overruns in recent years. These cases could be merged in the future, adding to the pressure on the Americans to bring their Farm Bill into line with their international engagements and the rules of multilateral trade.

The grand coalitions which bring together groups of countries like the G20, the G33, the G90 and the LDCs and which are driven by several common interests are effective as far as sweeping political statements are concerned. But as soon as negotiators start getting down to brass tacks and try to come up with concrete agreements, things get complicated and interests differ increasingly. The developing countries will have to practise the art of maintaining cohesiveness while taking the differences of all parties into consideration.

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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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