
COTTON UPDATE - 21 January 2008

Last negotiations before new modalities

Usually, not much happens at WTO before the 15th of January. This year, however, the Chairman for agricultural negotiations has just concluded a new series of intense consultations in Room E, which wound up with a session of the Informal Forum on Agricultural Negotiations that was open to all WTO Members on the 11th of January. These sessions should now enable Ambassador Falconer to draft a new version of the modalities for agriculture. However, it still seems far too early to say whether this text will provide an acceptable basis for future discussions and above all for raising these discussions to the ministerial level. The negotiators, who are experts in the art of discussion, do not yet appear to have the green light from their respective capitals to move to the decision-making stage.

Everybody wants to keep on discussing...

Between the end of 2007 and the beginning of 2008, Ambassador Falconer was particularly prolific. He drafted four texts on domestic support on 21 December 2007 and 8 on market access in early January, giving WTO Members ample material for intense discussion.

Whereas Director-General Pascal Lamy had in mind a horizontal process of tradeoffs between agriculture and NAMA that would involve Trade Ministers in order to obtain a deal one month after publication of the modalities, the Members are already asking – before the modalities come out – for more talks before initiating this horizontal process.

... but the individual participants are standing their ground

Even though some technical progress has been made, the fundamental expectations of the two camps have not changed: developing countries still expect deeper cuts on supplementary agricultural tariffs from the developed nations, including the EU countries, coupled with drastic cuts in trade-distorting US subsidies, while the developed countries are waiting for the developing countries to open their markets up to industrialized products. One example is symptomatic of this standoff: Ambassador Falconer's proposal for special products in one of the working texts he drafted in early January. Not only India but also China and Indonesia, among others, rejected the requested reductions on exemptions for special products. On the other hand, industrialized countries like Australia and the US feel that Ambassador Falconer has given too much away to the developing countries. India has even informed the Chairman that it would not budge an inch on special agricultural products and that there was no point expecting it to be flexible.

So we are still back at square one, and the question that remains is who will take the first step to get the ball rolling?

The US plays a waiting game while the EU rushes ahead

The US does not seem in a hurry to hammer out an agreement. In 2008, the Bush Administration has decided to concentrate on finalizing free trade agreements with Colombia, Panama and South Korea. This means that the Doha negotiations would be left up to specialists, which does not reflect a high-level political commitment to progress in the talks. Moreover, United States Trade Secretary Guttierrez has explained that he would not negotiate at home before seeing what the other members would put on the table, thus confirming that the Americans are playing a waiting game. Finally, in the specific field of negotiations on cotton, the US negotiators in Geneva have recognized that they have to come up with a counter-proposal but are completely unable to do so.

Conversely, the EU appears more eager to sign an agreement. It has displayed openness or even a bit of haste. It has sent out messages on possible concessions, such as the possibility of eliminating the Special Safeguard mechanism. Viewed from this angle, the EU has made proposals on cotton which

are supposed to be positive. However, since it has taken as the only foreseeable result the amount it needs for its cotton support, as amended in 2006, it has Ambassador Falconer's text's supporters on its back. Faced with an EU which is proposing reductions calculated on the basis of its own needs while ignoring the formula for cuts taken up in the modalities (thereby contradicting the text), the C4 can only clearly reaffirm that its proposal is the only one at present that meets the Hong Kong criteria. For the time being, the US is hanging back and taking advantage of all the fuss. The danger is that an unnatural alliance might emerge with the US and the EU joining forces to scupper the text on cotton.

Timetable for upcoming events

In 2008, the traditional mini-ministerial organized by the Swiss Government on the fringe of the Davos World Economic Forum will probably be limited to a mere lunch on Saturday, 26 January with a dozen representatives of key negotiating States. Yet many observers feel that there is no point in expecting any negotiating payoff in Davos. Moreover, the participants will not be able to go on about the latest version of the modalities for agriculture as they are only due for release in late January or even early February.

Conclusion

Once again, the timetable seems to be stretching out rather than shrinking. Negotiators in Geneva appear less and less worried or indignant about the idea of postponing major concessions until after major elections in certain key countries. If the new negotiating technique of certain parties consists of grinding the others down, the odds are that the poorest developing countries will pay the price for this strategy, along with the very "development" dimension of the Doha Round.

IDEAS Centre is dedicated to facilitate the integration of developing countries into the world economy and has assembled over the last 5 years substantial experience on this issue. Its mission is to support policy makers around the world working to develop approaches to assure that globalization can be harnessed for development and to fight

against poverty both within their countries and in a more inclusive and fairer world trading system.

Our previous newsletters are posted on our website: www.ideascentre.ch.

For more information on IDEAS Centre, visit our website: www.ideascentre.ch. For more information on the Geneva Trade & Development Forum, visit our website: www.gtdforum.org.

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