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**COTTON UPDATE – 15 February 2008**

**Ministerial visit to Brussels: Cotton on the agenda**

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As was the case with the mission to Washington DC in October 2006, several ministers from African cotton-producing countries came to Brussels on 6 and 7 February to promote a constructive dialogue on cotton with the European Union. The C4 representatives were Ms Ba Faoumata Nene Sy, Minister of the Economy, Industry and Trade of Mali, and Mr Mamadou Sanou, Minister of Trade, Enterprise Promotion and Crafts of Burkina Faso. For two days, they defended the cause of cotton with top European authorities. Subsequently, for the high-level seminar on cotton and policy coherence, they were joined by Mr. Youssouf Soumahoro, Trade Minister of Côte d'Ivoire, and Mr. Sarapio Rukundo, Secretary of State for Tourism, representing the Minister of Tourism, Trade and Industry of Uganda. For obvious reasons, Mr. Youssouf Abbassalah, Minister of Trade, Industry and Crafts of Chad, who had announced his intention to participate, was not able to join his counterparts in Brussels.

**C4 ministerial coordinating meeting**

The C4 Trade Ministers and the representatives based in Brussels and Geneva met on 6 February to prepare their bilateral meetings with European Trade Commissioner Peter Mandelson. They also agreed on the broad lines of a roadmap to determine the strategy for the negotiations in coming months, particularly in the light of the mini ministerial meeting scheduled for spring 2008.

**Bilaterals**

The C4 Trade Ministers met with Commissioner Mandelson and the representatives of the DG Development at Commission Headquarters.

Although this bilateral meeting was intended to deal with cotton, it gave Mr Mandelson an opportunity to urge the African countries to sign the EPAs, according to the press release put out by the Commission. The question of aid and more specifically aid for trade was also taken up, and the European Union recalled its numerous financial commitments in that respect. The African

countries underscored the low volume of funds disbursed within the Europe-Africa Partnership for Cotton (2 million out of 15 million over a four-year period). Whereas the European Union clearly intends to make cotton a “priority for development”, as Mr Mandelson told the press at the end of the meeting, it is not certain that the EU wishes to make it an “agricultural” priority, as it considers that everything that could be done has already been done and that there is nothing more to be expected.

### **“Cotton and policy coherence”: The seminar objectives**

The stated purpose of the seminar was to encourage and improve dialogue between the African cotton-producing countries and the European Union on the cotton issue, to raise media visibility on the cotton issue and its vital importance for African cotton-producing countries at a key moment in the negotiations, and to provide concrete progress on a series of ongoing dossiers, such as EU negotiating positions on cotton at the WTO, reform of the EU cotton regime, and development assistance for cotton.

In addition to the ministers mentioned at the beginning of this newsletter, several ambassadors from Geneva and Brussels were present, as well as François Traoré, President of the Association of African Cotton Producers, and Jolly Sabune, Executive Director of the Uganda Cotton Development Organization.

On the European side, the Commission was represented by Mr Jean-Luc Demarty, Director General of the DG AG, Mr Luis Riera Figueras, Development Policy Director at the DG DEV, and Ms Signe Ratso, Director for WTO matters at the DG Trade. It should be noted that despite repeated efforts made using various channels and contacts, no representative of the Greek or Spanish cotton producers was on the discussion panel.

The seminar concept was based on two working documents provided or requested by the Commission. The first pertained to the impact study on the cotton support regime within the framework of the Common Agricultural Policy (CAP), which came out in November 2007. The second was the Report on Policy Coherence presented by the DG DEV in September 2007. This latter document aimed at identifying progress already made or to be made by Member States and the Commission in improving coherence between the various EU policies with a view to making them more consistent with the objectives set out in connection with development policy.

It appeared that the cotton issue could serve as a case study for the question of coherence. With regard to the European Union, the question of cotton affects three separate yet undeniably linked policies - trade, agriculture and development – on various levels.

The coherence issue is at the heart of European initiatives to improve the effectiveness, relevance and results of its global action. The cotton question accurately reflects current thinking on coherence. The EU is at the same time (i) a cotton producer (Greece and Spain) and a cotton support provider within the CAP framework; (ii) a development assistance provider to African cotton-producing countries; and (iii) a major player in the multilateral trade negotiations. Reconciling these three policies with diverging objectives and interests is not always easy. As far as CAP reform is concerned, the EU has made substantial efforts to make its cotton support regime WTO-compatible, in particular by shifting amber box support (with trade-distorting effects) to blue box support (less distorting) or green box support (non-distorting). In this respect, the EU has decoupled its support (35% for cotton production and 65% for producers, regardless of what is produced).

The search for coherence looks like an endless process. When two policies are made coherent with each other, it is often to the detriment of a third policy. At a certain point, the decision should be taken from a political perspective, not a technical one. All too often, lack of coherence comes down to take back with one hand what has been given with the other:

### **Comments**

The African speakers explained the importance of cotton production for Africa, provided full details on the sectoral initiative for cotton launched in 2003, stressed the need for coherence between aid and trade, and provided some ideas for the future by recalling the potential for a proximity effect between Europe and Africa, which it would be a shame to waste.

The representative of the DG DEV laid out the principles, results and aims of the Europe-Africa partnership on cotton; a mid-term review was proposed. The DG Trade took up the EU position in the Doha round and the Doha Development Agenda, providing some figures on the world cotton trade. The Director General

of DG Ag, in charge of the multilateral negotiations on agriculture, recalled that the Commission had always supported the search for a specific solution for cotton and more specifically reiterated the positions already stated at the well-known meetings in Room E, namely that the European Union “accepts all of the C4 proposal but nothing but the C4 proposal”. That question was subsequently discussed at length during the exchanges of views that followed the presentations. The last comment by the Commission dealt with the question of policy coherence with development goals.

### **The debate**

The ensuing debate focused on three major related issues: negotiations as such and different interpretations of the texts of the Chair of the Agricultural Negotiations Committee, the [lack of] manoeuvring room which the Commission has to negotiate (with regard to constitutional constraints and the decoupling rate for its own cotton support), and the question of development aid for cotton. On the latter issue, the Commission stressed its desire to strengthen the cotton industry as a whole from the perspective of competitiveness and to combat poverty, and proposed to step up its efforts in this field. It urged the African countries to ensure coherence in their national and regional policies.

Some figures were put forward with a view to facilitating the debate. EU production accounted for 2% of world trade in cotton, as did the output of the C4 countries combined. Something that might seem insignificant for the first group was essential for the second group. Moreover, even though Europe’s cotton subsidies were relatively less distorting than the US subsidies, the European cotton sector was nevertheless one of the most heavily subsidized cotton sectors in the world.

The Commission explained that in its view, tackling the European subsidies was tantamount to felling a tree whereas it was the entire forest of subsidies (US, without mentioning any names) that should be tackled. The African countries recalled that they were not against the European Union or the United States but that they were for the fair application of the rules that had been unanimously agreed by the WTO members. The Commission's efforts were aimed at ensuring compatibility with those rules. As far as the African countries were concerned, it was time for WTO members to respect the commitments undertaken in the Hong Kong mandate, namely, to grant cotton “ambitious, rapid and specific treatment”. In addition, the African countries recognized the EU desire to discuss and make

concrete proposals. Insofar as the Americans have always refused to get down to brass tacks with cotton, the debate has crystallized - perhaps too much so - on the partner that has accepted to negotiate.

That having been said, there are still real differences when it comes to interpretation. The EU has on several occasions stated that it would “accept all of the C4 text and nothing but the C4 text”. Let us now leave aside the question of the additional disciplines added by Chairman Falconer to focus on the interpretation of the C4 text taken up in the modalities (both those of July 2007 and those of February 2008). As the C4 sees it, the EU must start by applying the formula for reducing the amber box as a basis for any calculation of reductions. Even if the EU no longer has an amber box, it has one for the base period of 1995 to 2000 and even up until 2006 (according to notifications), so the leftover from the amber box can be transferred to the blue box. The EU explained that its reform has enabled it to anticipate with regard to the Hong Kong statement and fulfil the requested commitments. The Commission referred to real constitutional constraints which have prevented it from going further in decoupling aid. The accession agreement for Greece and Spain stipulates that the EU must provide aid for cotton production, not just for cotton producers. An impact study requested by the Commission shows that to avoid any real impact on the support reform, decoupling must not exceed 65%. The Commission needs a € 300 million blue box a year to finance its reform. It is prepared to accept the C4 proposals on the basis of the two-thirds reduction of what was previously its amber box of € 900 million. What seems difficult to understand in the European methodology and unacceptable for the Africans is that the EU is dividing carrots up into three parts to obtain one-third turnips. The problem is that it is not applying the formula for reducing AMS. Either the EU accepts the C4 methodology or it rejects it, in which case it cannot state that it agrees with “all of the C4 text and nothing but the C4 text”.

### **Press conference**

During a brief press conference held after the close of the seminar, the ministers from the African cotton-producing countries stated that even though European production is less than US production, “the problem is global and requires a global solution”, in the words of the Malian Minister of the Economy, Ms Ba Fatoumata Nene Sy. When asked what the African cotton-producing countries would do at the next mini-ministerial if no valid solution was proposed for cotton,

the Trade Minister of Burkina Faso, Mr Mamadou Sanou skilfully dodged the issue: “Cotton is indeed very important for us. Wait until April and you will see if we exercise our veto right”.

## **Conclusion**

The Europe-Africa dialogue on cotton and policy coherence was frank and open and was consistently marked by a desire to move forward together towards a common solution, even though no new concessions were made on either side.

This Europe-Africa dialogue on cotton has opened up to the following elements:

- The African countries recognize that the EU has made considerable efforts with regard to development aid for cotton, which is essential for the survival of the cotton-producing industry in Africa;
- Everyone wants the Doha Round to end, and to end quickly. Everyone agrees that there cannot be any Doha without cotton, just as can be no solution to cotton without Doha;
- It is in the best interests of the European Union and the African countries to work together to ensure progress on the cotton dossier;
- Everyone agrees that the European Union is not the most important “target” as far as cotton subsidies are concerned, even though views differs as to the importance of the target;
- Both the EU and the African countries need a compromise to ensure a strong position in these negotiations. However, this compromise must not jeopardize the position of the African countries vis-à-vis their major trading partners;
- While hoping that the present situation will not last, there is no gain saying that it is difficult to ensure such convergence when one of the two protagonists recognizes that he is powerless to go beyond his proposals.

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