
COTTON UPDATE – 19th March 2008

April is the “cruellest month...”¹

It doesn't really look like April will be the month of concessions and compromise. Even though the talks are continuing, everyone agrees that progress... is not being made. This is obviously the case with NAMA, but it also applies to a lesser extent to agriculture. The conditions are no longer right for a ministerial meeting over Easter (22-23 March), and might not be right in April either.

The latest reactions

The revised texts of modalities published on 8 February failed to generate an electroshock or even the expected buzz. Some even thought that the NAMA text backtracked because the diverging positions of developing and developed countries had crystallized into a host of questions. The Americans kept playing their usual blame game, arguing that the only way to break the deadlock was tariff concessions by emerging countries in exchange for subsidy cuts which the US was prepared to make.

On the EU side, is Trade Commissioner Mandelson an alarmist or a realist? Probably both at the same time, as can be seen from his recent statements: “But I now fear that Doha is facing a high risk of failure – the first failure ever for a multilateral trade round. That would not be a good signal for the global economy. [...] There is no external force that can end this negotiation for us. We're like a boat with oars. Unless we row, we go nowhere. Unless we row together, we go in circles. Unless we row now, the tide will push us past the last remaining harbour.”

¹ Expression by T.S. Elliot

Apparently, a successful conclusion to the Doha Round, which for a while took a back seat to the negotiation of free trade agreements, has once again become the number one priority for the Bush Administration. The problem of the US institutional and electoral timetable (a change of administration and doubtless a change in political colour in January 2009) is always carefully avoided. Yet trade protectionism occupies pride of place in America's presidential campaign. Just how long will the US elections remain a non-issue? And what good would a deal be if it is rejected by a single player? Only the Europeans seem to be in a real hurry to speed up the procedure in order to hold quickly the ministerial meeting they view as the last chance of cutting a deal with the Bush Administration before year's end.

Although some are starting to doubt whether a ministerial will take place before May, WTO DG Lamy continues to display unruffled optimism while warning of the costs of failure, especially for the developing countries.

The price factor

A new parameter might slip into the negotiations: the price of agricultural commodities. The sky-high agriculture commodity prices would let developed countries slash their subsidies with minimum economic and political fallout. Current economic conditions offer political leaders in the North additional negotiating leverage (make deeper cuts in domestic support levels and press for increased market access) in the form of extra manoeuvring room in domestic horse-trading between the authorities of each country and its own agricultural sector.

But what about cotton?

Although talks are ongoing, there is still nothing to report. After the revised modalities came out, the European Union did however clearly indicate that cotton was a problem. In a way, this could be interpreted as going back on its previous stance, namely, that "the EU accepts the text on cotton but nothing but the text on cotton". At least this clarifies its position. Now, it would be simpler and more

constructive for the EU to make a new proposal on the basis of what it deems acceptable instead of misinterpreting a text it claims to accept. Yet for the time being, no one has come up with a solution that would let the EU meet the Hong Kong commitments while holding on to the € 300 million it expects in the Blue Box. By cutting its domestic support by two-thirds, the EU is doing less for cotton than in terms of overall trade-distorting domestic support (OTDS). And it looks like the US wants to keep exploiting the crystallization of debates between the EU and the C4 to remain in the background and avoid making a proposal that would be politically untenable in the US or technically unacceptable in the negotiations.

The question of support for cotton inevitably brings to mind the words of Bangladesh's ambassador to WTO, who very rightly recalled at the LDC Summit in Maseru that "cotton remains the human face of the Doha Development Round"... What remains to be seen is whether this face will mark the negotiations all the way to the final compromise...

Conclusion

Revised texts will not come out on the week of the 17th of March as announced. Nor is it clear that the talks have moved past the technical level onto the much talked-about "horizontal" plane, which is to culminate with a ministerial meeting. As Indian Trade Minister Nath pointed out, there are 130 points of disagreement at present in agriculture alone. There is no point getting ministers to sit down around a table to discuss so many specific problems. We should perhaps be wondering about the purpose of such a meeting: are we waiting for a breakthrough to launch the meeting or is the meeting supposed to help us achieve a breakthrough in the negotiations? Expectations appear to differ here as well...

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