
COTTON UPDATE – 21 April 2008

An increasingly protectionist climate and a ministerial still up in the air

Although the date of 19 May for the mini-ministerial is firming up, it has not yet been confirmed. Contradictory signals are coming in from all sides. On the one hand, WTO Director-General Pascal Lamy and a few others still display undying optimism that the Round will be concluded in 2008. On the other hand, a wind of trade protectionism is blowing on several fronts. In the middle of this see-saw between more or less liberalization, another alarming and increasingly serious problem - price rises for agricultural commodities - has brought many developing countries to the brink of a food crisis.

A ministerial in exchange for a deal

The general feeling is that if the ministerial is actually held next month, there is a chance that the Round can be wound up within a reasonable timeframe. In reality, there are so few who are prepared to take the risk of a failure or, worse still, to be held accountable for such a failure, that an agreement seems possible. But nothing is definite yet – not even the actual meeting. Even though the negotiators have pencilled the week of 19 through 24 May into their diaries, no one at WTO will go out on a limb by providing official confirmation. Some even say that it is too early and that, with the European Football Cup to hit Switzerland in June, it would make more sense to hold the meeting in July.

Granted, many sticking points remain, not only in the general balance between the different negotiating fields but also and above all within each of the fields – agriculture and NAMA but also services and rules. Some progress can be seen in agriculture but there are still a number of stumbling blocks. As if he were exorcising a failure in NAMA, Don Stephenson sums up the situation as follows: “It still seems to me to be possible that for those of you who want an outcome, it’s within your reach. And those of you who don’t want one, there is not really much I can do for you.” As far as services are concerned, the US and Australia recently called for increased liberalization, arguing that a good outcome in agriculture and

NAMA would not be enough to make a good overall agreement. New texts of revised modalities are expected by the end of the month.

A protectionist mood

Even though the speeches delivered by the authorities have a pro-liberalization ring, the mood is veering towards protectionism. The facts speak for themselves and examples abound. In the US alone, with the election campaign, candidates are taking a harder line and there is growing mistrust for the multilateral trade system. The Democratic presidential candidates have already announced that they would not ratify anything without close scrutiny. And now, to top things off for a US which had already lost credibility because the Bush Administration couldn't get an agreement signed, Congress has just refused to approve the free trade agreement negotiated between Colombia and an Administration which had obtained a special extension of fast track authorization to finalize the agreement. Finally, as if to confirm that domestic interests are taking precedence over international commitments, the Senate and House proposals for the Farm Bill do not leave any room for a reforming vision advocating cuts in direct support for agricultural commodity prices.

And Europe is right up there when it comes to protectionism. Just look at the recent worrying comments made by France, which is gearing up to assume the rotating EU presidency for six months starting in July 2008. France has declared that it intends to use its turn in the driver's seat to strengthen and ensure the long-term survival of CAP agricultural subsidies, whereas certain European countries do not share its vision. For example, Great Britain disagrees, as it feels that farmers are businessmen like everyone else and should therefore be subject to competition and the laws of the marketplace. Moreover, some European countries, such as Ireland, have informed Commissioner Mandelson that he had an irritating tendency to overstep his mandate and offer concessions with nothing in return.

Nor are the developing countries thrilled about the prospects for liberalization. The last thing they want is to be blamed for being the ones who rejected an agreement, yet they are not prepared to accept anything, especially since several recent studies have shown that the developing countries, especially the poorest ones, would not come out ahead in Doha.

Agricultural commodity prices

In his own way, each of the protagonists invokes the sky-high agricultural commodity prices to justify his position. Some argue that greater liberalization will help regulate markets and push prices down, while others claim that liberalization will jack prices up. Food exporters are not singing from the same song sheet as food importers, and a small fault line will surely become more pronounced and could even help split some blocs. Moreover, the issue of food aid has once again come to the fore.

In the meanwhile, the question of price rises for agricultural commodities is no longer just another item on the agenda – it is turning into a full-blown worldwide catastrophe which affects the food security of many countries and the living conditions of millions of people.

What about cotton?

As far as cotton is concerned, the price rises tend to benefit the African countries, even though there is less cotton to market this year owing to a genuine crisis in the sector and poor climatic conditions. Moreover, the high prices should lead the Americans to propose subsidy cuts that would not cost them very much in terms of policies or budgets. They have not spent a great deal on payments classified (by them) as Amber Box to cotton growers in 2007. Paradoxically, this situation is tending to lead them to say that the claims of the African countries are no longer valid (this is what the National Cotton Council is arguing) and that they cannot afford to lock themselves into anything in case prices go back down.

Conclusion

It is hard to say whether this nth deadline for all members will actually be kept, and whether, if it is kept and if there is a ministerial, it will be an event or a non-event. So many “last chance” have been announced in the past few months that a bit of caution is in order. A likely scenario, and one that would in the final analysis be an improvement over the present situation, would be that the ministerial does not produce the expected outcome but that the ministers authorize their negotiators along with the DG and the Chairs of the negotiating committees to conclude and “lock in” the modalities for the end of July, so that no one (especially the next US Administration) could reopen them. If this were the case, then the Doha Round might be wrapped up in the first half of 2009...

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