
COTTON UPDATE – 23 December 2008

A ministerial meeting by the end of 2008: the story of a race against the clock

The month of December was the month of the race against the clock at the WTO. In a final burst of energy, WTO Director-General Pascal Lamy tried to set a deadline for reaching an agreement on the modalities to wrap up the Doha negotiating process. Up until the last minute, he held intense consultations with the ministers of the United States and the other major trading powers to see whether the political momentum displayed at the G20 meeting on 15 December in Washington DC would be backed by sufficient determination to achieve real compromise. Despite the enormous last-minute efforts to try and eliminate divergences in the key negotiating areas, Mr. Lamy decided not to convene a ministerial meeting before the Christmas holidays, as the risk of a second failure in less than six months was much too great.

As far as cotton is concerned, it is important to note that during the four weeks of intense negotiations leading up to the Director-General's decision, cotton was in the limelight, as can be seen from the various comments made by Mr Lamy, in particular at the UNCTAD multi-stakeholder meeting on cotton held on 2 December 2008. On that occasion, the WTO Director-General said that cotton had become a "litmus test" of the development commitment undertaken in connection with the Doha Round. In his note to delegations, he added that there were three areas -- sectoral action, the special safeguard mechanism and cotton -- where there was a need for a serious political evaluation before a ministerial meeting could be convened. Those three questions were not the only ones still pending; they were not even the most important ones for many delegations; but if no solution was proposed for them, it would not be possible to stabilize the texts of the modalities as a whole.

These various statements reflect the importance of cotton for the Doha process as a whole and are the outcome of the tireless efforts made by the C4 countries both through their missions in Geneva and in the capitals. One such example was President Campaoré's visit to WTO in November 2008, which provided an opportunity to put cotton back on the agenda and to recall just how important cotton is for the C4 countries and for the African Group. On that occasion, the Head of State of Burkina Faso hoped once again that a solution would be found "before the current US Administration left office". Another major push came at the UNCTAD meeting on cotton, when the trade ministers for Benin, Mali and Chad met in Geneva to express their dissatisfaction at the deadlocked negotiations on cotton at the WTO, calling for a just solution – a rapid, ambitious and specific solution – as agreed within the framework of the Doha Round back in July 2004.

Even though the attempt to convene a ministerial meeting by the end of the year failed, it would appear that the negotiations on cotton were the most conclusive. Director-General Lamy said that an agreement on cotton was within reach and that there was both a technical solution and a political will. Unfortunately, it is difficult to ascertain what the contours of such a meeting would have been, as neither the United States nor the European Union agreed to define the range within which a compromise would have to be found. Although it seems that all of the negotiators concerned implied that a compromise was possible, there is no way of knowing whether this compromise was simply more or less an acceptance of the status quo of the current effective subsidies of the United States and the European Union or whether this compromise would have had an impact on world cotton markets, boosting African cotton producers in the process.

Given the political agenda in various parts of the world over the next few months, it is unlikely that negotiations will resume rapidly in 2009. Clearly, we will have to wait until the new US Administration comes into office and defines its position with regard to the negotiations. Yet these delays, the length of which is difficult to predict, will not discourage us, and there are a few positive sides to the present situation.

First of all, there is no gainsaying that the position of the major trading powers has become shakier because of the cotton issue.

In the United States, intense African lobbying at the WTO, coupled with increased demand for biofuel and cereal price rises, have led farmers to turn towards other crops, considerably reducing the acreage devoted to cotton. If this tendency continues, it will probably encourage a shift from cotton-growing to other crops. Yet international markets have not felt the full impact of this decline because the reduction in acreage has naturally started with the least productive farmland, as a result of which production has not dropped in proportion to the reduction in the amount of land under cultivation. Nevertheless, the trend remains positive and should with time lead to a considerable drop in the share of US cotton exports to world markets to the benefit of other cotton-producing countries. It goes without saying that the ability of the African countries in general and the C4 countries in particular to take advantage of this favourable climate will also depend on their ability to modernize their cotton sectors and position themselves on world markets.

Second, the European Union will shortly be led to rethink its Common Agricultural Policy (CAP), which means that the constitutional constraints put forward by the European Commission to justify its inability to reduce its support for cotton could probably be overcome once the CAP has been comprehensively reformed. As you are aware, the protocol of EU accession signed by Greece and Spain lays down an obligation to provide specific aid for the production of cotton but does not specify the amount or the percentage of support required. Spanish cotton growers have already indicated that they would be favourable to the complete decoupling of cotton subsidies. As for Greek producers, we feel that with the right arguments and financial incentives, the Commission should be able to convince them to follow suit.

Even though medium-term prospects on the world cotton market remain uncertain and it is difficult to predict when negotiations will resume at the WTO, we remain convinced that the efforts made by the African countries have not been in vain.

As you are aware, the cotton multi-donor project for 2007 expires on 31 December 2008 and donors have already indicated that they did not wish to

extend the project in its present form. Notwithstanding, we hope that we will be able to continue to assist you in your efforts until they succeed.

By way of conclusion, the IDEAS Centre team would like to thank the C4 countries and their representatives in Geneva and in the capitals as well as its faithful readers for the confidence they have displayed in it throughout these years. The adventure began in April 2003, with the launching of the sectoral initiative on cotton. Since then, a great deal of work has been done here in Geneva in collaboration with the C4 experts. With regard to cotton, where there has been a real race against negotiating fatigue, we would like to congratulate the C4 working group on its admirable tenacity. Thanks not only to the combined action both in Geneva and in the capitals but also to the support of the African Group and the strong media push, the cotton issue at the WTO has in a few short years become emblematic of the Doha Round talks, because it poses the question of exactly how farmers from developing countries fit into the current globalization process.

Even though the goal sought, namely the phasing out of the cotton subsidies in the OECD countries, was not achieved, the cotton initiative has been a success:

- Whatever happens at the WTO, cotton subsidies will be reduced in the future: the cotton initiative had made the general public and politicians realize that these subsidies were absurd from an economic and social standpoint;
- The WTO negotiations will never be the same again: four poor developing countries showed that they were capable of standing up for their interests within the multilateral system. They managed to find the right arguments and summon up their patience and determination when the negotiations stalled. They were able to resist the siren song of the major trading powers, who tried to lure them with the prospect of aid in order to weaken their desire to reform what must be reformed, namely the multilateral trade system;
- The WTO has become a genuinely global organization that deals with the trade problems of all its members, small or large, developed or least developed. This is a major structural change. When viewed from this angle, it does not matter that no solution was found in the short term, provided that we do not lose faith or our desire to continue to work towards a world trade

system that is effective and hence free-market oriented but also fair and conducive to development for all.

This is what we wish for 2009. We also wish you health, tenacity and courage to take up tomorrow's new challenges.