

COTTON UPDATE – 28 July 2011

Doha light is dead, long live Doha-plus!

Introduction

As the August break draws near, and in view of the increasingly complex discussions on the (un)doability and content of the LDC-only package and above all the LDC-plus package, the WTO Member States are moving towards a new, more comprehensive approach. What was presented as the umpteenth last chance to save the Doha Round by sequencing the results will not take shape, for want of an agreement between the members on what should be “harvested” in December. However, even though they are incapable of finding common ground, the major actors in the negotiations appear determined (or resigned) not to close the matter once and for all. Would it be easier in the final analysis to discuss on a host of questions rather than trying to circumscribe (at least temporarily) the list of subjects to be dealt with on a priority basis? We are used to saying “he who can do the most, can do the least”. Now, what remains to be proven is that “he who cannot do the least, can do the most”. Accordingly, the negotiators have been urged to reflect, during the summer holidays, on how the ministers could give a new impetus to the negotiations, even if it means by changing the Doha mandate or by changing the negotiating procedures and modalities.

Why keep on negotiating?

The first reason is that no actor wants to look like he is behind a breakdown. The second is that the large Member States can be content with comprehensive negotiations of indeterminate duration, because rather than focusing exclusively on the multilateral framework, they are increasing the number of “foreign adventures” with one or more partners, through bilateral or regional free trade agreements (FTAs), or other preferential trade agreements. For example, the US is much more worried about signing FTAs with Colombia, Panama and South Korea, preferential trade agreements and their famous TransPacific Partnership than wrapping up Doha, while the European Union has made negotiations with Mercosur and Canada a priority.

The motivation is very different for the smallest nations, because their prospects outside the multilateral system are less than encouraging, on either the bilateral or regional level. In addition, several questions relating in particular to LDCs (such as agricultural subsidies) can only be dealt within a multilateral framework.

Change with continuity

Several meetings, some unscheduled, have followed one another at a steady pace over the past few days: Group of 7 on Friday (United States, European Union, China, India, Brazil, Japan and Australia); Green Room on Monday, (informal) Trade Negotiations Committee on Tuesday and General Council on Wednesday.

The initial conclusions are as follows:

- The continuation of negotiations is confirmed, as well as the fact that they will go on past 2011; the Chairs of negotiating groups are invited to start work again;
- The idea of an LDC-plus package has been dropped;
- The future of the LDC-only package is very uncertain, as the Member States are apparently divided on how to follow up this proposal; the Americans have been particularly clear on this question, arguing that they would be prepared to work on it “if we saw some prospect that entrenched positions would change – but we do not”;
- The discussions of the Ministerial must go beyond Doha and take up the question of the functioning of the institution itself.

A Ministerial to save Doha and WTO

In a recent newsletter, we wondered as to the advisability of “killing” Doha to save WTO. The appraisal which Pascal Lamy has just made confirms that not only the negotiating process but also the institution are in danger. On the other hand, the members seem to have opted to continue with the Round in spite of everything. Whereas we had become accustomed to the DG’s legendary optimism, it should be recognized that the words he used at the last TNC struck a grave note: “paralysis in the negotiating function of the WTO”, “inability of the WTO to adapt and adjust to emerging global trade priorities”, “impasse”, etc. What is new is that not only Doha is under fire, but the entire institution itself, hence the need to ask these questions now rather than postponing them until a hypothetical post-Doha era.

The next Ministerial Conference (MC8) should therefore both tackle systemic issues relating to the institutions and the system and pave the way in practical terms for the continuation of DDA negotiations. Pascal Lamy hoped that the two tracks selected would not foreclose the

possibility of having some DDA LDC deliverables. The emerging countries have backed this approach, with China even arguing that the MC8 should only take up development issues.

At the General Council meeting held on Wednesday, 27 July, the emphasis was on non-DDA issues which should receive special treatment at the December Ministerial. In addition to questions relating to the ordinary functioning of the WTO (accession, transparency, monitoring, Trade Policy Review Mechanism, regional trade agreements, monitoring and surveillance of special and differentiated treatment), the non-DDA agenda remains rather obscure for the time being. Yet there is no lack of new subjects: some of the wide-ranging topics mentioned have been trade and exchange rates, and climate change and food security. An update on some so-called “technical” subjects (Technical Barriers to Trade, Rules of Origin) could also boost trade. However, given the present climate in Geneva – the delegations seem to be focusing on what is not doable rather than trying to identify what might be put on the table – it is more than likely that the list of non-DDA questions will give rise to intense dealings.

Conclusion: what about cotton?

Without the prospect of an early harvest, cotton will rejoin the host of subjects being dealt within the overall negotiations. The adventure of these past few weeks will at least have had the “merit” of forcing the Americans to clarify their expectations with regard to the subject. Whereas the discussions have for some years focused on subsidies and have been limited to the quadrilateral (United States, European Union, C4 and Brazil), the Americans have made it clear that nothing would happen on the subsidies front without something in exchange from China (more specifically on market access) and India. Another given: as the Doha negotiations are expected to continue for a few more years, the new US Farm Bill and the EU’s Common Agricultural Policy will be finalized before the end of the multilateral negotiations. The content of a compromise on cotton subsidies will therefore be determined by these reforms and “multilateralized” *ex post* in Geneva. This implies that the African countries will have to not only keep lobbying in Geneva but also step up their efforts in Washington, Brussels and Beijing, to ensure that the new agricultural laws incorporate what might look like a solution for cotton in line with the Hong Kong commitments.

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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