



**Agency for International Trade
Information and Cooperation**

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Report on the C-4 – AITIC Joint Conference on the Sectoral Initiative in Favour of Cotton: State of Play

23 April 2009, 15:00 – 17:30
Centre William Rappard, WTO, Room E

I. Introductory Remarks

1. Dr Esperanza Durán recalled that the economies of the C-4 countries, already weakened by their dependency on one single export item, also now had to face a declining global economy. According to Dr Durán, the Sectoral Initiative in Favour of Cotton had enabled cotton to become a fundamental issue of the Doha Round negotiations. This is attested by the importance of cotton in Annex A of the July Package and in the Hong Kong Ministerial Declaration as well as by the establishment of the Sub-Committee on Cotton.
2. Nevertheless tangible results in the negotiations that meet the expectations of the C-4 are still lacking. Why, for instance, had the Sub-Committee on Cotton not held any meetings in almost two years? Even the idea that was once floated of an early harvest seems to be fading today as, for some members, a comprehensive agreement on market access, for both agricultural and non agricultural products, must come first.
3. Pending the implementation of the commitments in favour of trade and least-developed countries taken at the G-20 Summit in London, Dr Durán nevertheless called for optimism and indicated that beyond the sympathy that the cotton dossier attracts, strong commitments were now needed for the well-being of millions of African producers who depend on this commodity.
4. Speaking on behalf of HE Mamadou Sanou, Minister of Trade, Business Promotion and Handicrafts, Burkina Faso, and Coordinator of the C-4, who had not been able to attend the meeting, HE Mr Prosper Vokouma, Burkina Faso, clarified the context in which the Sectoral Initiative in Favour of Cotton was launched, as well as the importance of this sector for the C-4 countries. Highlighting the progress accomplished since 2003 thanks to the continued efforts of the C-4 as well as the support of bilateral and multilateral partners, South-South cooperation and different WTO groups, Ambassador Vokouma indicated that

cotton had nevertheless not yet benefited from an expeditious, specific and ambitious treatment.

5. HE Mr Vokouma added that the reduction formula put forward by the C-4 had not yet been the subject of a counter-proposal, in particular by the United States. HE Mr Vokouma also commended Mr Crawford Falconer, former Chair of the Negotiating Group on Agriculture, and Mr Pascal Lamy for the attention they have always given to the concerns of the C-4. He looked forward to pursuing with HE Mr David Walker the collaboration initiated on the cotton issue, working towards a favourable outcome that will affect not only the C-4 but also 36 cotton-producing countries in Africa.

II. The Cotton Issue and the Trade Negotiations on Agriculture

6. The Deputy Director-General of the WTO, Mr Harsha V Singh welcomed the participants and extended the greetings of the Director-General of the WTO, Mr Pascal Lamy, who was away from Geneva and whom Mr Singh was representing.

7. Mr Singh underlined the significance of cotton in the negotiations by paraphrasing the Director-General's own words, that cotton has become a litmus test of the commitment to make the WTO Doha Round of global trade negotiations a truly development round. The Deputy Director-General went as far as to say that without a deal on cotton there would be no modalities on agriculture and on industrial products, and without such modalities the road would not be open to conclude the Doha Round. He gave a brief and general synopsis of the state of play in the negotiations on agriculture and also commented on the negotiations on cotton.

8. As for the negotiations, Mr Singh felt that it would be best to restart as soon as possible, building on where there was convergence, rather than re-opening issues and using the multilateral approach as the best way to reach a comprehensive resolution of the cotton issue and the reduction of cotton subsidies. As was indicated by other speakers, Mr Singh drew attention to the agreement by Members at the Hong Kong Ministerial Declaration to treat cotton "ambitiously, expeditiously and specifically" within the agriculture negotiations and gave five reasons why the time was now to do so:

- The situation is critical for several developing countries which depend primarily on cotton;
- There is unanimity that Doha depends on a resolution for cotton;
- The negotiations in general should be fair; cotton is the litmus test of a successful Doha negotiations package;
- A successful deal on cotton will be significant in both its economic and political repercussions;
- To the extent that systemic economic trickle-down effects are often overlooked, the benefits of an agreement on cotton and in the Doha Round are currently being underestimated.

III. Cotton: Challenges related to Trade and Development

9. According to Dr Anne-Sophie Nivet-Claeys, reaching a result in the trade negotiations was paramount for a favourable outcome for cotton. Support provided in this area cannot be a substitute for a solution with regards to the trade aspects of the issue. As to the possibility of future action, Dr Nivet-Claeys indicated that dispute settlement remains a measure that the countries of the C-4 can envisage in the short-term. In this context, they would most certainly win their case.

10. Besides the length of the procedure however, the C-4 would not be in a position to impose retaliatory measures. Another possible solution would be for the C-4 to consider a negotiation on the reform of the support to American cotton in the dispute between Brazil and the United States.

IV. Effects of the Economic and Financial Crisis on the Cotton Sector and Prospects

11. Mr François Traoré, President of the African Cotton Producers' Association (AProCA), described how the situation had worsened for the cotton sector stakeholders. He explained that it was less and less possible to make a living from cotton production. The crisis has occurred at a moment when reforms are being undertaken to restructure the whole sub-sector. In the field, cotton prices have dropped sharply whereas fertilizer prices are going up.

12. For this reason, production is decreasing dramatically, with economic and social implications for a sector that provides direct or indirect employment to around 15 million people in Africa. The other consequence of the current crisis is the drying up of loans to cotton enterprises that are no longer able to buy the cotton from the producers.

V. Interactive Debate

13. The European Communities (EC) representative, HE Mr Eckart Guth, declared that the ECs shared the concerns expressed by the C-4 and stressed the spirit of cooperation, instead of confrontation, which had been shown by the EU in this area. In addition, the Ambassador noted that the actions taken by the EU were in conformity with the Hong Kong Ministerial mandate. In terms of the concessions made by the EU, cotton has benefitted from a more specific and ambitious treatment than has been the case for other commodities. He went on to say that the EU has already eliminated trade-distorting subsidies.

14. According to Ambassador Guth, measures included the elimination of tariffs, quotas and export subsidies on cotton. The only remaining measures were Blue Box support measures. Introduced by the EU, these reforms were already having an impact. This can be seen through the reduction of arable land intended for cotton production. Ambassador Guth insisted on the speed with which these reforms were being implemented.

15. As to the development component of the cotton issue, Ambassador Guth said that EU support to producer countries was reflected in the Cotton Support Programme. Since 2004, this assistance has amounted to Euro 310 million. Finally, HE Mr Guth remarked that, for the EU, the conclusion of the Doha Round negotiations remains the only way of reaching an ambitious, expeditious and specific resolution for cotton.

16. HE Mr Guy-Alain Emmanuel Gauze, Côte d'Ivoire, declared that the C-4 countries, like other African countries, belong to customs unions and geographical groups currently negotiating Economic Partnership Agreements with the EU. Despite the asymmetry of the trade regimes that will ensue, these countries will have to face tariff elimination which will have a negative impact on the public budgets of these countries that depend largely on customs revenue.

17. According to Ambassador Gauze, it is urgent to find a solution to the cotton issue and this will automatically imply the reduction, if not the elimination, of the subsidies in each support category. Ambassador Gauze welcomed the action already taken by the EU and hoped that it would be strengthened. In addition, Ambassador Gauze noted that it was important for the negotiations to resume where they left off in 2008.

18. Finally, HE Mr Gauze mentioned that considering the distress of the African cotton producers, it would be « indecent » to wait for the end of the negotiations to act in their favour. Therefore, an early harvest decision is more crucial than ever.

19. HE Mr Lumbanga, Tanzania, speaking on behalf of the LDCs Group thanked the members of the panel for bringing into focus the important issue of cotton. The problem, according to HE Mr Lumbanga, was that we are not seeing any concrete action to benefit cotton-producing countries. Tanzania, according to the Ambassador, represented a case in point.

20. Currently, there are very low yields, due to the normal lack of necessary inputs, but this is now compounded by the scarcity of trade finance and the fall in cotton prices. In one year, prices fell from between USD330 to 450 per tonne to approximately USD167 to 250 per tonne. It is bad enough that LDCs are the only places in the world where people still live in abject poverty — below USD1 per day. Such conditions have led to some farmers uprooting their cotton in favour of other temporarily more profitable crops. How will cotton farming survive in Africa at this rate? In the past, cotton was viewed as the “poor man’s white gold”. But this is no longer the case, and it is having grave impact on livelihoods.

21. Mr David Miller, Minister Counsellor, United States, remarked first of all that the C-4 countries had not been able to benefit from the rise in cotton prices in 2008. This certainly is the sign that the reform of the sub-sectors must continue. As regards to measures taken by the United States, Mr Miller indicated that during the last four years, the arable land of American cotton had been considerably reduced. In terms of cooperation, Mr Miller emphasised the constant role of the United States in this area, which would continue in the coming years. The meeting of the Director General’s Consultative Framework on Cotton will be the opportunity to put forward the measures taken by the United States in this sector.

22. HE Mr Samuel Améhou, Benin, former C-4 Coordinator, shared his field experience. He deplored the fact that the call for action in favour of African cotton producers had not received the necessary attention until now. It was his stated opinion that the cotton sector needed to be saved now, before it is too late. HE Mr Améhou also called for the negotiations to resume and for a solution to the cotton issue to be found.

23. Mr Flavio Damico, Brazil, stated that a possible deal is almost within reach, but still it remains elusive. Cotton is very important to his country, evidenced by the support Brazil has given from the start for the cotton initiative. Brazil agrees fully with the C-4, but the scope of the problem is larger. From Brazil's perspective, pursuing both avenues of the dispute settlement process and negotiations are complementary, not contradictory. Mr Damico recalled a New York Times article that documented the illegal nature of US subsidies.

24. This has helped Brazil in the negotiations by giving the moral high ground. Dispute settlement also brought out concrete ideas which in turn had an influence on the negotiations, such as product-specific caps, used later on in the modalities for agriculture. So Brazil has taken dispute settlement and negotiations not as incompatible, but as complementary. As regards cotton, indeed in 2007 and 2008 prices rebounded, not only for cotton, but for other crops. This allowed US and EU farmers to feel market forces and consider alternatives to cotton. At a certain level of subsidies for cotton, farmers in the US and EU have no motivation to switch to other crops as there is little down-side risk for them by staying in cotton. The representative from Brazil has noticed that during the last two years, when global prices for other crops rise significantly – sufficiently above the rents guaranteed by cotton subsidies – the farmer sees an opportunity for more profit in shifting to other crops.

25. HE Mr Léopold Ismael Samba, Central African Republic, highlighted the fact that the cotton issue, although initiated by the C-4, also plays a significant role for other African cotton producers. Ambassador Samba reiterated the need for international solidarity on this issue.

26. Mr Mohamed Abul Kheir, Counsellor, Egypt, spoke on behalf of the African Group, citing the good work of the outgoing chair of the Group of Negotiations on Agriculture, Ambassador Crawford Falconer. He welcomed the new chair, Ambassador David Walker, who has taken over the role and requested that he build on the past progress.

27. Cotton is an issue that should be considered for early harvest in the Doha Round. Particularly now, action is needed given the current global economic crisis. Trade flows in Africa are the most vulnerable by far and are now facing additional barriers with the various bailouts and stimulus packages. The African Group therefore calls on all WTO members for a quick resolution of the cotton issue.

28. To a question on whether it was possible for members to focus directly on offer and supply in agriculture and market access for non-agricultural products, without taking modalities into consideration, Mr Singh gave a very specific answer. For him, this is indeed a possibility amongst the ones mentioned by some negotiators. Nevertheless, if need be, it is for members themselves to analyse and

decide upon this possibility. This is not crucial at this stage however. What is important is the determination of members to conclude the negotiations round. It is now a known fact that the conclusion of the negotiations cannot be envisaged without a solution for cotton. Apart from the technical aspects, it is also important not to lose sight of the prevailing political challenges.

29. Mr François Traoré reiterated the expectations of the cotton producers towards the WTO members. He also called upon all cotton-producing African countries to join AProCA whose actions are not limited to the countries of the C-4. 13 African countries currently belong to the association. In this respect, M. Traoré mentioned that the Cotton University had been opened in Bobo-Dioulasso, Burkina Faso, with the aim to build the capacity of the cotton sector stakeholders.

Acronyms

AProCA	Association des producteurs de coton africains
C-4	The four countries co-sponsoring the Sectoral Initiative in favour of Cotton
EC	European Communities
EU	European Union
G20	Group of 20
LDC	least-developed country
WTO	World Trade Organization