

## **Including Agriculture In the WTO International Negotiations: How to Seize the Opportunities for the Cotton Industry**

**(Summary of a paper presented to the Ministerial Meeting on the cotton industry in  
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### **Foreword**

This paper will encourage participation in the international negotiations on agriculture under the auspices of the WTO, indicating what needs to be known about the Doha Declaration and trends in current trading. Knowledge of these trends will help present ideas about the strategic position that is possible for African countries before we identify possible measures to strengthen cotton industries, in accordance with the international process after Doha.

### **1. The Terms of Reference Since Doha**

The last WTO Ministerial in November 2001 in Doha sanctioned the launch of a new round of negotiations, with the special feature of including agriculture, even if the inclusion is proclaimed as “without prejudging the outcome,” in other words, without any commitment for an actual result. The Marrakech Accord in 1995, which created the WTO, had already received commitments from the wealthy countries to reduce their farm supports. The concept of Aggregate Measures of Support (AMS) was put in place, as were support measures categorized according to the degree to which they distort production and trade: the well-known amber, blue and green boxes. What is new is the undeniably international character of the process that had begun.

The Doha Declaration set the goals of the negotiations to lower export subsidies, decrease domestic support, and improve market access among countries. Regarding these objectives, the Doha Declaration recognized the special features of developing countries and accepted the relevance of creating a new box for the measures known as “special and differential treatment” (or the S&D box). It also accepts the rationale for non-trade goals to consider another box for “non-trade concerns” (or the NTC box). The frequently mentioned considerations are the environment, food security, poverty alleviation, rural development, and structural adjustment.

The WTO drew up a specific agenda so that the negotiations would be completed in a reasonable amount of time. As of March 31, 2003, it is expected that an agreement will be reached to liberalize the trading of agricultural products, and that negotiations should culminate in a final agreement on January 1, 2005.

### **2. Major trends in current trade**

**Agricultural subsidies will not disappear anytime soon:** The Doha Declaration explicitly puts forward the goal of reduction, and the commitments expected from the member countries

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<sup>1</sup> Conference of the Ministers of Agriculture of West and Central Africa

should be for a reduction timetable. Consequently, the demands of AOC cotton producers to eliminate subsidies worldwide will surely not be met.

**The negotiations are a matter for the box experts:** The degree of the actual decrease in agricultural subsidies is a battle between those who are experts in handling the “boxes” in which the support measures will be placed. The reductions sought will apply to the measures placed in the amber box, which are considered to have the greatest impact on increasing production and, therefore, they distort global trade. The European Union has already announced that it would not accept calling the blue box into question, in which it has placed several specific support measures, while there are no plans to put a limit on the financial amounts in the green box, which contains all the measures that meet the concern of supporting farmers’ income, without increasing production, or to compensate the service provided by farmers in maintaining natural resources. The change in the characterization of a measure, leading to a change in the color of the box in which it placed, has a high impact on the evaluation of the degree of support that a country provides to its agriculture. For the countries that support it, the game thus involves “greening” its measures, whereas for the countries that do not support it, the game consists of tracking down the “false greens.” The result of this battle among the “box experts” will determine the real degree of the drop in the reduction of farm supports, so that it is very much in Africa’s interest to monitor this closely and to have its “box experts” as well.

**Doha sanctioned a certain right to subsidize agriculture:** Due to the battle discussed above, the real reduction of agricultural subsidies is not guaranteed. There is a very great risk that what was taken out of the amber box will be placed in the green box in a different form. On the other hand, it could be said that, for the African countries, the negotiations that are underway will sanction the right to a certain degree of farm support on the international level in any event. This is an important fact when one realizes that this right is often denied in the structural adjustment negotiations that the countries of Africa have experienced. One other right has yet to be won: that of obtaining aid to support one’s agriculture to a reasonable degree.

**Opening new boxes to be defended:** The Doha Declaration marks the recognition of the special nature of developing countries, leading to the concept of a special and differential treatment box. It broadens the negotiations by including non-trade concerns such as the preservation of the environment, food security, rural development, poverty alleviation, and structural adjustment as well.

### **3. A Few Ideas About a Strategic Position for the AOC Countries**

#### **3.1. A few rather obvious ideas**

First, it is important to exploit the recognition of the special features of the developing countries, and even more of the least advanced countries, by proposing a group of countries more appropriate for negotiations on agriculture. Another immediate idea is to form an alliance with countries that are demanding the greatest reduction in subsidies in order to correct the current inequality as quickly as possible.

#### **3.2. Commit to the defense of a positive image for cotton**

On the international level, the preoccupation with defending cotton has existed for nearly a decade, and the goal was to stop lowering the percentage of cotton in the textile fibers market. The U.S. example shows that such a measure is possible and that it pays off. For the AOC countries, defending cotton’s positive image takes on a new dimension with the opening of

the WTO's preoccupations regarding non-trade concerns that, for example, are linked to the protection of the environment, food security or rural development.

### **3.3. *Adopt, defend and propose procedures for applying favorable ideas***

To summarize, I will limit myself to pointing out a few ideas that seem to be well accepted in current exchanges in the WTO:

- o Input subsidies for farmers with limited resources
- o A system for stabilizing prices (but no stabilization fund)
- o Access to technologies
- o Diversification
- o Capacity building
- o Support by technical assistance
- o Aid for lowering the cost of product marketing, or for shipping products
- o Special aid if cash crops are increased for net importing countries

Certain ideas have not yet been properly promoted, but they could be if they were properly defended. These are:

- o Aid for education
- o AIDS control
- o The application of a tariff preference

### **3.4. *Exploiting the position of having anticipated the Doha objectives?***

Due to low support for agriculture, the AOC countries have indeed anticipated the Doha objectives, so that the nearly two decades of structural adjustment are significant. But there has been no benefit to anticipating the Doha objectives, quite to the contrary, because it has accentuated the negative effects of the inequity of global trade. The conclusion can also be drawn that the requirements for implementing earlier structural adjustment plans were excessive.

At the end of the day, the designers of the structural adjustment plans turned out to be more liberal than the GATT, and subsequently, than the WTO liberals. The fact that the WTO seems inclined to accept certain measures that the international aid agencies banished earlier enables the AOC governments to consider requesting forms of aid that they no longer dared to request in recent times.

### **3.5. *Make proposals, but make sure they are credible***

As indicated above, the best way to defend the new principles of non-trade concerns and special and differential treatments is to advance concrete measures along the lines of these principles. Acceptance of these measures will depend on their economic foundation, their realism, and the evaluation of their impacts. Decreasing support over time would be a sign of confidence in the expected impacts of the proposed measures. Acceptance of new measures will also depend on the procedures for implementing them, based on the actual involvement of all players involved—transparently.

### **3.6. *Manifesting a greater ambition***

This entails converting the planned content of the NTC box into a set of goals to be combined with negotiations on trading in agricultural products: poverty alleviation, rural development and food security are goals that could be extended to other measures to foster human development. Environmental preservation may be broadened to include measures to fend off climate change and aggressive measures to sequester carbon to reduce the greenhouse effect.

In view of the evolution of current discussions in the WTO, the debate should be raised to levels higher than the “boxes” and explicitly combine the trade negotiations with the issue of development assistance. In practice, there should be a differentiated ceiling for the levels of the green box in order to counter the temptation to transfer the measures from the amber box to the green box. More particularly, the countries should commit to endow an additional fund for development assistance and the preservation of the world’s common assets, such as the ozone layer. This can be done in particular through the savings realized in reducing the amber box.

### **3.7. *Demand compensation for the iniquitous effects of uneven trade***

This is a more aggressive approach to gain acceptance of the fact that uneven trade has had very negative impacts on the countries that have not subsidized their agriculture, and that these iniquitous effects will continue even if the negotiations that started after the Doha Declaration are ultimately successful. If one can understand that countries that heavily subsidize their agriculture are unable to change this policy overnight, then conversely, one cannot accept that the poorest countries are the ones that have to continue to suffer from uneven trade and, in a way, to pay for the wealthier countries. Then it is conceivable that the countries that are the victims of uneven trade could be compensated, along the lines of an "affirmative measure policy" (a planned policy to correct inequalities), for example, by special access to the above-mentioned fund for development aid and the preservation of the world’s common assets.

## **4. A few ideas for specific measures to be considered for cotton**

**Reinstate measures to increase productivity by reasoned intensification:** Since the Doha Declaration, it seems that we are again accepting the concept of aiding the use of inputs by farmers with limited resources. This principle, applied in the early 1970s, was at the root of the productivity gain in the different cotton industries of the AOC countries. Thus, it is important to apply this concept again, which is one of the requests from producers. The principle of re-introducing support for the use of inputs may be extended to equipment in order to raise productivity.

**Institutional innovations to cope with a distorted and fluctuating global market:** With regard to developing countries or least advanced countries, there seems to be a recognition of the relevance of a price stabilization system, but we need proposals for concrete measures, whereas some tools that have been or are now being tested do not seem to be convincing, such as the stabilization fund and market risk management tools. The idea of setting up an international fund to help the AOC countries cope with fluctuations in the global market, filled with subsidies by powerful countries, seems to be justified based on our analysis of the trends in the negotiations underway in the WTO, but efficient procedures for using it must be established. The idea has also been put forward that the price-setting mechanism should be linked more to the global market, and that the setting of purchase price policy must stop, as has been observed in several AOC countries over these past years.

In this regard, it is regrettable that the mechanism applied in the AOCs in the early 1990s has been corrupted. Finally, there could be a totally innovative system that would limit government support to payments to help farmers pay the insurance premium so that they

could have a guaranteed income level. The international fund we spoke of earlier could then be used to provide assistance to pay the insurance premium. Implementing such an insurance mechanism could go hand-in-hand with the minimum price system that we mentioned.

**Promote competitiveness through technological progress:** One of the special types of treatment under consideration in the current WTO discussions is to foster access to technologies. This ties up with the idea of a center of excellence raised by the CMA/AOC secretariat, even if the details of the exact objectives and procedures for implementation have yet to be devised.

**Measures for the environment:** Carrying out measures for the environment is in sync with the concern over sustainable development in cotton-growing areas. Some specific possible measures merit attention: alternative growing methods that do a better job of conserving natural resources, aggressive measures to physically delineate parcels by putting in hedges, and a contract for implementing the sequestration of carbon through agricultural production.

**Lower dependence on a limited number of products:** The interest in lowering this dependence is reflected in the idea of promoting the diversification that is expressed in the discussions in the WTO, but also on many occasions in the AOC countries each time there is a cotton crisis. To prevent this from being no more than wishful thinking, it is important to point out that diversification takes time, investment, an alliance among the players (especially players in the downstream portion of production), and an aggressive policy to reconcile the interests of the players in specific projects. The international fund mentioned above could be used to finance such projects.

**Strengthen the productivity of human capital:** This corresponds to the concern for capacity building expressed in the WTO discussions, including support through technical assistance. This comes back to the idea of the “center of excellence” raised by the CMA/AOC secretariat.

**Improve the export competitiveness of products:** The goal of improving the export competitiveness of products is taken into consideration in the WTO discussions by the concept of aid to lower the cost of product marketing or product shipping.

**Promote the image of AOC cotton:** Such an objective should be the subject of regional cooperation. It should help bolster the attractiveness of AOC cotton in the global market.

**The limits of a niche strategy:** We do not believe at all in the proposal of occupying the organic cotton niche, because any significant increase in supply will cause prices to collapse, while the premium that the global market places on organic products has turned out to be less generous than we had hoped.

**Compliance with the quality standard:** It seems much more worthwhile to direct the marketing aid under consideration by the WTO to better conform to the evolution of the cotton lint classification standard, a trend toward a universal use of the modern and automatic classification system by HVI.

**Lower exporting costs:** This measure is also under consideration to assist developing countries in world trade.

**Decrease dependence on the export of raw materials:** Less dependence on the export of raw materials requires an increase in local processing. This is the concern for strengthening the textile industry that is often expressed. But the reasons for the weak development of this industry, not to mention its collapse, are known: negative protection and unfair competition from illegal textile imports and massive inbound shipments of secondhand clothing. The solution to the problem depends first and foremost on the political resolve of the AOC countries. For cotton oilseeds, the issue is more one of preserving an industry that is rather well developed, despite critics who call this industry’s economic efficiency into question.

## **5. Conclusion**

The Doha Declaration officially included agriculture in the international trade negotiations. It has suggested two openings to take note of the specific features of the developing countries and non-trade concerns. There is no assurance that these two openings will succeed, so that it is in the interest of the AOC countries to work to ensure that they are not closed. If the WTO, an organization that is too exclusively centered on regulating international trade, begins to take non-trade concerns into account, there would be an opportunity to be seized to include more basic human issues in the international negotiations. This opportunity will be lost if we do not intervene to raise the debate and divert current discussions centered on the relevance of new boxes where these new measures can be placed. Specifically, it would be advantageous for the AOC countries, and probably for other developing countries as well, to put a ceiling on the green box and to use the savings earned by reducing the amber box to help finance a fund for development assistance and the preservation of the world's common assets.

Principles of measures to include the specific features of the developing countries are under discussion. The AOC countries should have many ideas about specific measures, demonstrating economic realism and an interest in effectiveness. These ideas can be useful in the WTO or in bilateral or multilateral negotiations.

It is important to stress that the current WTO discussions, the ideas for support using inputs or, more globally, productivity gains, on the one hand and, on the other hand, to cope with market fluctuations, have not been rehabilitated very much. These are ideas that can be used to advantage in the specific case of the cotton industry, and other ideas could be included as well, such as: a research and training program for technical progress, agro-environmental measures to reduce the effects of climatic uncertainties and to limit the greenhouse effect, advocacy for the image of AOC cotton, compliance with the trend toward a new classification of the fiber, an aggressive and long-term diversification policy, improving road infrastructure to lower shipping costs and to make it possible to develop a regional market.

These are ideas that require support and investment, and they can justify the expression of international solidarity to be demanded to compensate for the iniquitous effects of uneven trade, which, unfortunately, will continue. On the other hand, there are measures that require a national political resolve, and the growth of the textile industry is one example.