



International Centre for Trade  
and Sustainable Development

# Bridges

## Daily Update

### On the Fifth WTO Ministerial Conference

Bridges Daily Update is available in English, French, Spanish, German, Portuguese, Chinese and Russian on the ICTSD website at [www.ictsd.org](http://www.ictsd.org)

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## COTTON – THE ‘TRIPS AND HEALTH’ OF CANCUN?

Perhaps fittingly after an opening ceremony where many distinguished speakers strongly emphasised the development potential of the Doha Round of trade negotiations, African cotton-producing countries' vibrant plea for the elimination of cotton subsidies at the WTO Ministerial plenary session on Wednesday raised enough support for discussions to continue in informal ministerial meetings over the next few days. Working Groups were formed on five issues, including – for the first time – one dedicated to development. The outcome is uncertain, but a failure to deliver would now be thrown into sharper focus.

### Procedural Issues

Following two days of informal discussions between the Chair of the Cancun Ministerial, Mexican Foreign Minister Luis Ernesto Derbez, and regional groups on the structure of the Conference, Members agreed to conduct the negotiations in five Working Groups, namely on:

- agriculture (George Yeo Yong-Bon, Singapore);
- non-agricultural market access (Henry Tang Ying-yen, Hong Kong);
- development (Mukhisa Kituyi, Kenya);
- Singapore issues, i.e. investment, competition, transparency in government procurement and trade facilitation (Pierre Pettigrew, Canada); and
- miscellaneous issues (Clement Rohee, Guyana).

Each Group will be led by a ‘facilitator’ who will be working closely with the Chair to identify possible areas of movement. The Working Groups will report back to the Heads of Delegation (HOD) meetings every morning in addition to holding consultation sessions between the Chair and the facilitators. The Chair is hoping to receive substantive reports from the facilitators by Friday so as to avoid packing all the issues to the last day of the Ministerial Conference. In addition to small meetings among and between countries and regional groupings, facilitators have been holding “confessionals” (bilateral meetings) with key Members.

In contrast to procedures at past WTO meetings, Working Groups will be ‘open-ended’, i.e. all Members will be free to participate. Each Member will be represented by a Minister with a maximum of two support staff. The Development Group is set to discuss issues related to implementation and special and differential treatment (S&D). Other issues, such as commodity concerns raised by developing countries, might also be included in the Group's discussions. While all Working Groups will commence at the same time, the pace will be set by the progress that can be made in the Agriculture Group. Civil society organisations expressed concerns about Canada chairing the Working Group on Singapore Issues. Canadian NGOs said Canada's chairmanship contravened a developing country key demand in the lead-up to Cancun that Members with significant stakes in certain issues should not chair negotiations in those areas. Canada is seen by many to have too much of an interest in investment, one of the four Singapore issues.

Consultations continue on which issues to discuss in the Miscellaneous Group in an effort to include concerns raised by the membership rather than determined by the Chair, according to WTO Director-General Supachai Panitchpakdi. The Group – which one trade official termed the ‘cemetery group’ due to low expectations for negotiations in the body – is expected to cover all those issues contained in the draft Ministerial Text not dealt with by the first four Groups. These are likely to include,

*inter alia*, rules, services, environment and geographical indications. In the days leading up to the Ministerial, the EC had pushed to have environment and geographical indications classified as one group, but received no support for this proposal other than from Switzerland and Norway. The agenda of the Group will be decided upon today.

### The Cotton Initiative

Benin, Mali, Chad and Burkina Faso have proposed to eliminate cotton subsidies worldwide in order to ensure the survival and development of the cotton sector in West and Central Africa (WCA), where cotton accounts for up to 80 percent of export earnings. Extensive cotton subsidies in rich countries, especially the US, have led to an artificial increase of supplies on international markets and a fall in export prices. The development effects on small farmers losing their market shares have been devastating. Many have likened the cotton initiative to the TRIPs and Public Health campaign in Doha. Argentina, for one, said adopting a decision on the initiative in Cancun would provide the kick-off point for the ‘development round’.

On 9 September, the US met with the WCA countries on the issue. At the meeting, US delegates suggested that the countries focus on diversifying their economies away from cotton production towards producing textiles, which could then be granted preferential market access to the US via the US African Growth and Opportunity Act. Observers criticised this approach for failing to deal with subsidies, which are the root cause of unsustainably low cotton prices.

In an evening plenary session on 10 September, Mali called for an “early harvest” decision in this area, outlining a plan for the elimination of distortive measures coupled with a transitional compensation mechanism under which subsidisers would pay affected least-developed countries to avoid their cotton sectors from being wiped out. Chad stressed the need for concrete results in order for the multilateral trading system to retain its credibility, stressing cotton as a special and strategic product for poverty reduction and economic development. Other African countries, including Cameroon and Senegal, came out in support of the initiative, saying that the whole region was adversely affected by cotton subsidies.

WTO Director-General Supachai took the floor in what he described as an unusual move. He said the WCA countries were not asking for preferences, but for an end to distortions, and urged ministers to give the initiative serious consideration.

The US reiterated some of the points it had made in its earlier talks with the WCA countries, stressing that it supports eliminating subsidies and lowering market barriers overall for both agricultural and industrial goods. The US outlined a ‘comprehensive’ approach to the cotton issue and pointed to factors beyond subsidies that cause prices to fall, such as general economic downturn, competition from artificial fibres and increased harvests due to good weather. Ann Veneman proposed looking at the full value-chain for cotton – comprising fibre, textiles and clothing – and proposed customised measures to boost demand for cotton-related products, such as addressing distorting support measures, tariff and non-tariff barriers, and industrial policies. While agreeing that the cotton problem was multifaceted and not only dependent on subsidies, the EC supported the trade aspects of the WCA initiative and said it was ready to do its part.

Both Canada and Australia strongly supported the initiative, noting the damaging effect of agricultural subsidies in general and of cotton subsidies in particular. Argentina highlighted its request, with Brazil, for a WTO dispute settlement panel on US cotton subsidies. The Argentine delegate said adopting a decision on the initiative would provide the kick-off point for the 'development round'. South Africa stressed the wide and systemic relevance of the issue, noting that similar problems applied for other products, such as sugar. Bangladesh stressed the urgency of addressing the problem, noting that agriculture provides the backbone of the economies of least-developed countries. India also welcomed the proposal, noting that the sugar, dairy and oil seeds sectors face similar problems, and stressed addressing cotton subsidies as an important first step.

## Agriculture

While sources reported progress in setting the agenda of the Working Group on Agriculture (see related story above), WTO Members' public statements reflected well-established positions on the opening day of the Cancun Ministerial. However, key players offered their first comments on the proposal formally submitted to the Ministerial Conference by 21 developing countries on Tuesday (Bridges Daily Update No. 1).

Behind the scenes, the US and the EC are reportedly trying to prevent other countries from joining the G-21. According to sources, President Bush earlier this week telephoned the leaders of G-21 members South Africa, Brazil and India in an unsuccessful bid to prevent those countries from taking a strong stand against developed countries on agriculture. The US is also said to be putting pressure on Arab countries. Meanwhile, sources indicate the EC is pressuring the African, Caribbean and Pacific group of countries to refrain from increasing the membership of the G-21.

Among key points made by the G-21 were the elimination of the blue box (domestic subsidies linked to production-limiting schemes), setting a cap and strict criteria for the green box (minimally trade-distorting subsidies) as well as ambitious targets/timelines for reducing amber box (trade-distorting) subsidies. The post-Cancun negotiations should also set a firm date for the elimination of export subsidies. Developing countries' support programmes would largely be covered by special and differential treatment provisions, which would also require less aggressive tariff cuts, particularly for a new category of 'special products' that would only be available to developing countries.

US Deputy Trade Representative Peter Allgeier described the US-EC proposal – on which the draft on the table in Cancun is largely based – as an attempt by the US and the EC to “energise the negotiations”. He said the US would be willing to adjust domestic support if the negotiations resulted in increased market access, particularly in the EC, Japan and other developed countries (for processed food products), as well as in developing countries (for basic commodities, processed products etc) where most consumers live and where incomes are increasing. As for further opening of the US market, he said the US was willing to liberalise where others did.

The EC conceded that rich countries – including the EC – should do more than developing countries to open their agricultural markets, but called the G-21 proposal substantially “flawed and imbalanced” as it would put “all the burden” on developed countries and let strong developing country agricultural exporters just “cash in” while causing problems for weaker exporting nations in the developing world. In exchange for further market losses for mainstream agricultural exports, the EC said it would insist on increased protection for geographical indications of “quality food names” such as Parma ham, as well as a recognition that direct payments linked to upholding high environmental production standards are a legitimate form of non-trade-distorting government support.

Canada reiterated its goal that the Doha Round agricultural negotiations must result in the elimination of export subsidies by an agreed date (the sooner the better), a reduction of trade-distorting domestic support and

market access improvements for agricultural products, but expressed some sympathy with the G-21 position that developing countries should not open their markets more than they have done already.

Canada's Trade Minister Pierre Pettigrew, who chairs the working group on the Singapore issues, acknowledged that progress on the Singapore issues might strengthen the EC's and Japan's determination to move on agriculture, but noted that the reverse was true as well. With regard to the EC's push for protection of geographical indications of food names, he warned that tackling this issue at the WTO would “open a Pandora's box that will take decades to close”.

The G-21 negotiators met extensively with the Agriculture Working Group Chair George Yeo, with procedural issues as a central component. Members of the G-21 emphasised that they expected this week's talks to involve direct negotiations between delegations, rather than having the Chair arbitrate between fixed and competing positions. They also warned the Chair of the need to create draft text soon enough to give delegations sufficient time to analyse and amend it, instead of receiving a *fait accompli* near the end of the talks. Members of the G-21 noted that they would appoint individual spokespersons to lead discussions on specific issues in an effort to help the agriculture negotiations move forward. The negotiators also discussed a timetable for the week-long talks, scheduling a number of important discussions for Thursday, 11 September.

## High Level Roundtable on Trade and Environment

The Mexican Minister of Environment and Natural Resources in collaboration with the Minister of Economy and the Minister of Foreign Affairs joined forces to convene a High-Level Roundtable on Trade and Environment in Cozumel, Mexico, on 8-9 September 2003. The meeting brought together ministers, representatives from intergovernmental organisations, civil society and academia. Discussions focused on the role that subsidies play in trade and environment policies; the effects of environmental measures on market access; the importance of building mutually supportive trade and environment regimes; the liberalisation of trade in environmental goods and services; and the relationship between intellectual property rights and the environment. Participants stressed that the question was no longer whether, but *how* trade and environmental policies were going to be linked. They acknowledged that progress on trade and environment-related issues of particular concern to developing countries had been significantly slower than the rest of the trade and environment debate, and that efforts needed to be made to address this gap. They saluted the vision of the Mexican government in organising the high-level roundtable and hoped it would mark a turning point for discussions on these issues and set a precedent for similar meetings in the future. For the Chair's statement from the meeting and a full report, see <http://www.ictsd.org>.

## On the Agenda

The Chair will meet with the facilitators at 8.30 am, followed by a HOD meeting at 11 am. The Working Groups will begin their deliberations today in the afternoon. Members will take up the accessions of Cambodia and Nepal in plenary.

ICTSD and El Colegio de Mexico are co-convening a Cancun Trade and Development Symposium (CTDS) at the Grand Melia Hotel from 11-12 September 2003. Over 25 groups have come on board as organisers and co-sponsors. The CTDS is open to the public, with no WTO accreditation required. Spanish and French translation will be provided.

### [www.ictsd.org/ministerial](http://www.ictsd.org/ministerial)

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**ICTSD's Weekly and Monthly publications are on hand at the WTO Conference and on the ICTSD website. A number of key official documents, including the Ministerial drafts and NGO position papers, are also posted.**



ICTSD BRIDGES DAILY UPDATE is a daily news service covering trade and sustainable development on the occasion of the Fifth WTO Ministerial Conference in Cancun, Mexico. The publication focuses on news, activities and negotiations around the Ministerial from 10 to 14 September as they relate to sustainable development issue-areas. BRIDGES Daily Update is produced in Cancun by ICTSD staff under the direction of Ricardo Meléndez-Ortiz. Other language editions are produced in collaboration with FFLA & CINPE (Spanish); ENDA tiers-monde (French), Germanwatch (German); FGV & OIKOS (Portuguese); ICTSD (Chinese); and Eco-Accord (Russian). For further information contact ICTSD at: 13, ch. des Anémones, 1219 Geneva, Switzerland; tel: (41-22) 917-8492; fax: 917-8093; email: [ictsd@ictsd.ch](mailto:ictsd@ictsd.ch); web: <http://www.ictsd.org>.