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MINISTERIAL CONFERENCE
Fifth Session
Cancún, 10 - 14 September 2003

SUMMARY RECORD OF THE SECOND MEETING

Held at the Cancún Convention Centre, Cancún, Mexico
on Wednesday, 10 September 2003, at 2.30 p.m.

Chairpersons: H.E. Mr. Youssef Boutros-Ghali (Egypt)
(for Agenda Item 1)

H.E. Mr. Luis Ernesto Derbez (Mexico)
(for Agenda Item 2)

Subjects:

1. Overview of Activities of the WTO (Agenda Item 1)
2. Items Proposed by Members for Inclusion in the Agenda – Poverty Reduction: Sectoral Initiative in Favour of Cotton – Joint Proposal by Benin, Burkina Faso, Chad and Mali (Agenda Item 2)

1. Overview of Activities of the WTO (Agenda Item 1)

The Chairman invited Ministers and other speakers wishing to make statements under this Agenda item to do so in a single presentation.

He recalled that Rule 22 of the Rules of Procedure for Sessions of the Ministerial Conference (WT/L/161) provided the possibility for the Chairperson to limit the time for statements, with the consent of the meeting. As delegations had already been advised in an Information Note circulated on 22 August (WT/MIN(03)/INF/10), and in order to provide equitable opportunity to all speakers to express their views in the Plenary meetings, he proposed that the Ministerial Conference agree to limit all statements to a maximum of five minutes. Delegations that so wished, could circulate longer presentations as formal documents of the Ministerial Conference.

The Ministerial Conference so agreed.

The following statements were made:

Singapore	H.E. Mr. George Yeo Minister for Trade and Industry	WT/MIN(03)/ST/1
Switzerland	H.E. Mr. Joseph Deiss Federal Counsellor, Head of the Federal Department of Economic Affairs	WT/MIN(03)/ST/2

United States	H.E.Mr. Robert B. Zoellick United States Trade Representative	¹
Qatar	H.E. Sheikh Hamad Bin Faisal Al-Thani Minister of Economy and Commerce	WT/MIN(03)/ST/4
Commission of the European Communities	Mr. Pascal Lamy Commissioner for Trade	WT/MIN(03)/ST/5
Italy on behalf of the Presidency of the European Union	H.E. Mr. Antonio Marzano Minister for Productive Activities	WT/MIN(03)/ST/6
Philippines	The Honourable Manuel Roxas Secretary of Trade and Industry	WT/MIN(03)/ST/63
France	H.E. Mr. François Loos Minister Delegate to Foreign Trade	WT/MIN(03)/ST/8
Canada	The Honourable Pierre S. Pettigrew Minister for International Trade	WT/MIN(03)/ST/9
India	H.E. Mr. Arun Jaitley Minister of Commerce and Industry and Law and Justice	WT/MIN(03)/ST/7 and Corr.1
Germany	H.E. Dr. Alfred Tacke State Secretary, Federal Minister for Economics and Labour	WT/MIN(03)/ST/10
United Kingdom	Mr. Mike O'Brien Minister for Trade, Investment and Foreign Affairs	WT/MIN(03)/ST/11
China	H.E. Mr. Lu Fuyuan Minister of Commerce	WT/MIN(03)/ST/12 and Corr.1
Spain	H.E. Mr. Rodrigo de Rato y Figaredo First Vice-President and Minister of the Economy	WT/MIN(03)/ST/13 and Corr.1
Australia	The Honourable Mark Vaile, MP Minister for Trade	WT/MIN(03)/ST/14
Korea	H.E. Mr. Hwang Doo-yun Minister for Trade	WT/MIN(03)/ST/15
Thailand	H.E. Dr. Adisai Bodharamik Minister of Commerce	WT/MIN(03)/ST/16
Norway	H.E. Mr. Jan Petersen Minister of Foreign Affairs	WT/MIN(03)/ST/17

¹ To be circulated.

Pakistan	H.E. Mr. Humayun Akhtar Khan Minister for Commerce	WT/MIN(03)/ST/18
New Zealand	The Honourable Jim Sutton Minister for Trade Negotiations	WT/MIN(03)/ST/19
IMF (Observer)	Ms. Anne O. Krueger First Deputy Managing Director	WT/MIN(03)/ST/20
World Bank (Observer)	Mr. Shengman Zhang Managing Director	²

2. Items Proposed by Members for Inclusion in the Agenda – Poverty Reduction: Sectoral Initiative in Favour of Cotton – Joint Proposal by Benin, Burkina Faso, Chad and Mali (Agenda Item 2)

The Chairman said that this item had been placed on the Agenda at the request of Benin on behalf of the co-sponsors of the joint proposal on "Poverty Reduction: Sectoral Initiative in Favour of Cotton", which had been circulated in document WT/MIN(03)/W/2.

The representative of Benin said that this was an issue of utmost concern to his country as well as to several other Members of the organization. Indeed, this issue was one on which the Committee on Agriculture and the Trade Negotiations Committee had been working for several months, on the basis of a proposal submitted by Benin, Burkina Faso, Chad and Mali on 30 April 2003. Four countries that were members of the LDC Group, among the poorest countries in the world, had decided to act jointly and to avail themselves of the appropriate mechanisms offered by the multilateral trading system in order to find an urgent and equitable solution to a vital problem and a situation that threatened the very survival of their already fragile economies. What they sought, above all, was to find objective solutions for dealing urgently with the economic and social problems caused by the massive subsidies that governments of certain WTO Members granted to the production and export of cotton. The cotton sector in their countries was both sensitive and strategic – strategic because of its economic role and the degree of the dependency of their economies on this single product, and sensitive because it provided sustenance for tens of millions. Indeed, for Benin, Burkina Faso, Chad and Mali, cotton accounted on average for ten per cent of GDP, representing over 40 per cent of total export revenue and over 60 per cent of agricultural export revenue. This explained the central role that cotton played in the economic and development policies of the countries concerned, and the extent of their distress in the face of this scourge, whose damaging consequences were jeopardizing their entire economic structure.

As all knew, cotton was also the only export product for which the countries concerned enjoyed an unquestionable comparative advantage. It was produced at a highly competitive cost – the production cost per hectare of cotton in certain developed countries was triple that of West Africa. Moreover, this cotton was unanimously recognized throughout the world as being of very high quality. This economic performance had been achieved at great sacrifice. The countries concerned had made financial commitments which they still had to honour. Regarding other efforts that these countries continued to make through their structural adjustment programmes, they did not grant any subsidies to their producers who, despite their artisanal and extremely rudimentary means of production, were able to compete properly with producers in rich countries with highly mechanized, and indeed subsidized, agriculture. In other words, this difficult situation derived from the inequality of treatment between the rural communities of the developing countries, particularly the LDCs, and the cotton producers of certain other countries. This was a direct consequence of the distortions

² To be circulated.

caused by the massive subsidies some governments accorded to cotton production and exports. In short, it was the future of this sector, on which the economic and social balance of several poor countries depended, that was at stake. Unless urgent and substantial action was taken, this sector might well disappear in these countries, which would lead to the loss by producers of their entire revenue and cast doubt on development plans, both from the point of view of industrialization policy and basic infrastructure development, health, education and habitat improvement. This, in its turn, would inevitably lead to social unrest, increased poverty and insecurity and greater fragility of the economic, social and political system. It was to avoid such disasters that these countries turned to the WTO community again, in the hope of finding appropriate solutions to this issue.

To solve these problems, the co-sponsors of the initiative, and through them, all the other cotton-producing African countries, asked in a joint document that in Cancún a number of decisions be adopted for immediate implementation. These decisions were essentially as follows: (i) the immediate establishment of a mechanism to phase out support for cotton production, with a view to its total elimination; and (ii) transitional measures in the form of financial compensation for cotton-producing and exporting LDCs to offset their loss of revenue until support for cotton production and exports had been completely phased out by the industrialized countries. The resolution of the problem raised in the Sectoral Initiative in Favour of Cotton was one of vital importance for the four co-sponsors – indeed, it was a matter of survival. The solution would only have any meaning for them if it was reached very rapidly, in other words before the end of this Ministerial Conference. This was why his delegation, on behalf of the co-sponsors of the initiative, had appealed to the competent WTO bodies with a formal request that this issue be included on the agenda of this Conference. The four countries concerned and the public opinion in those countries had placed their trust in the multilateral trading system and the organization to find an urgent and equitable solution to this problem. They were looking to the WTO to eliminate this scourge which was sapping a strategic sector that formed the backbone of their economies. They wished to be able to think of the WTO as an efficient and competent doctor acting promptly to contain a deadly disease, and not as a forensic pathologist called in after the death of a competitive sector merely to establish the cause of death. The solution to this scourge could essentially be found in the proposals submitted for adoption by the Ministerial Conference in WT/GC/W/511. The pertinent comments of several speakers at the opening session of the Ministerial Conference showed how urgent it was for the discussions to lead to a decision. All had a responsibility not only to preserve the credibility of the organization, but also, and above all, to avoid aggravating poverty and exclusion. It was immoral to deprive the weakest Members of what was most dear to them. This was why these countries considered that if they were to regain hope and participate fairly in international trade, this issue would have to be solved urgently in Cancún. The seriousness of the situation and the specificity of the matter were reasons enough. The suffering and the state of destitution of the victims of this situation cried out for a response.

The representative of Mali recalled that in April his delegation had submitted a joint initiative on cotton to the WTO. On behalf of the four co-sponsors, he wished to outline five main points. First, the production of cotton was absolutely essential for these countries. They had no alternatives. At present they were dependent on this product. It was their only possibility of reducing poverty and investing in rural development – in short, of developing economically and shedding their dependence on international aid. Second, cotton gave them the required potential and the rare opportunity to integrate into the world economy, and they were sparing no effort to preserve this asset by any available means. To do so meant overcoming severe handicaps and facing serious challenges, such as the lack of investment capital and infrastructure needed to export their cotton at more competitive prices. Third, the general effect of cotton subsidies was to distort international trade. In their specific case, such subsidies spelled disaster in that they wiped out one of the only comparative advantages they had. Fourth, in the specific case of these subsidies, these countries were unable to react alone, since they did not have the financial means to respond by granting their producers equal subsidies. This meant they had to join with their partners to find a solution together. The WTO framework and the ongoing negotiations had seemed the most appropriate framework for presenting and defending their interests, as all Members legitimately did. Fifth, these countries believed in a world trading

system based on just and equitable rules that enabled each of its Members, including the poorest among them, to benefit from free trade. It was on this faith that they based their hopes. They were ready to do what it took to find solutions. However, the situation was urgent – without a rapid decision by WTO Members, they could very well lose their only asset, cotton.

He wished to provide a few figures that some were probably already familiar with, but which he believed were appropriate to put forward. World cotton production amounted to some US\$20 billion per year. Less than a third of the cotton produced in the world was exported (approximately US\$6 billion), and cotton's share in world trade was minor - approximately 0.12 percent. According to the latest statistics of the International Cotton Advisory Committee (ICAO), during the 2002-2003 season, the West and Central African countries (WCA) free zone had ranked sixth, together with Turkey, among world cotton producers, and second among exporters. In other words, cotton was very important for these countries, which exported approximately 95 percent of their production. At present, world cotton trade was affected by massive subsidies. The total amount of the subsidies granted to cotton by different countries could come close to the overall value of cotton exported throughout the world. This had certainly been the case during the 2000-2001 cotton season, when US\$5.8 billion worth of subsidies had been granted for a cotton trade whose value totaled some US\$6 billion. Many agricultural products were heavily subsidized, but it was surprising that the amount of subsidies granted for a single product should be so high that it equaled the value of all trade in that product throughout the world. Indeed, the subsidy machine seemed to have gone so wild that its influence and its negative impact on the economies of the "subsidizing" countries, not to mention other countries, might very well elude its inventors. Cotton was of vital importance to the co-sponsors of this initiative. In its 2002 report on LDCs, UNCTAD had highlighted the dependence of almost all LDCs on a single commodity or on a limited number of commodities for their export revenue. The four co-sponsors of the cotton initiative at the WTO happened to be the four countries whose dependence on cotton alone had been reported. In these countries, cotton was very clearly the product which most contributed to their export revenue. This was why they were making such a substantial effort to further improve their competitiveness in the cotton sector. They fully recognized the need to pursue these domestic restructuring and liberalization efforts. Indeed, the optimal use of their comparative advantage in cotton trading and the benefits deriving from free trade should allow them to invest even more heavily in rural development and agricultural diversification. On average, cotton currently contributed 6.5 per cent to the GDP of these four countries, and accounted for more than two thirds of total export revenue. For them, cotton was a truly strategic product for development and poverty reduction, since its impact went well beyond the cotton producers themselves. When the harvest and sale of cotton were good, the whole country did well.

According to a study by the International Food Policy Research Institute, when a Beninese cotton producer spent one dollar less because his income had decreased, the impact was transmitted to a whole chain of people affected directly and indirectly, and the result was a US\$ 3.3 reduction in domestic demand. According to the same study, in the short term, a 40 per cent decrease in the world cotton price, as experienced over the past few years, resulted in a 7 per cent reduction in rural income per inhabitant and an 8 per cent increase in poverty, i.e. an increase of 334,000 in the total number of people living below the poverty line. It was easy to imagine the shock caused in these countries by a drop in the world cotton price resulting from the over-production caused by massive cotton subsidies. According to the World Bank, cotton prices had dropped 66 per cent since 1995. Adjusted for inflation, the price of cotton was now lower than it had ever been since the Great Depression that had affected the Western world in the 1930s. There was little consolation for these countries in the fact that the high quality of their hand-picked cotton and the competitiveness of their production were recognized worldwide, since the trade distortions caused by such enormous subsidies had deprived them of the possibility of making use of their rare assets and deriving any benefit from them.

The overall amount spent in support of cotton was enormous. There were several types of subsidies. While income and price support measures (direct assistance) accounted for most of the government support, indirect support, such as export support programmes, credit assistance and

subsidized inputs, was hardly negligible. The United States accounted for close to 50 per cent of all cotton subsidies in the world. Three-quarters of these subsidies went to some 2,500 big US cotton producers, or only 10 per cent of all US producers. This meant that 2,500 big US cotton producers each received, on average, US\$1,080,000 per year in subsidies to produce cotton – an amount which corresponded to the combined income of 3,000 small African producers living on \$1 a day. In the United States, this support had had the perverse effect of making cotton more profitable to cultivate than other crops, such as soya beans. Finally, the increasing production of cotton in the United States had also led to an increase in American cotton exports in the world – in 2001-2002, over half of the US production had been exported, further strengthening the country's position as the world's leading cotton exporter. The European Union, which did not apply export subsidies in the case of cotton, nevertheless provided its 90,000 Greek cotton growers and 10,000 Spanish cotton producers with direct support which was among the most generous in the world. They received assistance which guaranteed production revenues 1.5 to 2 times higher than the world cotton price. According to OXFAM, cotton produced in Greece and Spain could be imported at one-third of what the cotton subsidies cost the European tax payer. China, the leading world cotton producer, for the moment still provided domestic support and export support for its cotton, but had already committed itself to phasing out its cotton subsidies in the framework of its accession to the WTO. To complete the picture, there were a few other subsidizing countries, but these were developing countries with limited financial means, offering support that was minor in comparison to what was granted by the three above-mentioned producers.

He asked if it would somehow not be unnatural if the multilateral trading system, which was meant to guarantee free development of trade for the benefit of all its Members, turned out to be a system which in fact excluded its poorest Members because they did not have the means needed to exploit the shortcomings of the agreements in force, or to support their producers with subsidies proportionate to those of their competitors. The co-sponsors of the initiative did not and could not accept such a prospect, which was why they had decided to submit to the WTO an initiative on cotton – to launch discussions and initiate a joint search for possible solutions to a problem whose urgency might well concern them more than anybody else, but which also tested the credibility of the multilateral trading system. This submission was based on recognition of the importance of cotton and its direct contribution to poverty reduction. It also emphasized the fact that cotton was one of these countries' only comparative advantages, which they might well lose unless urgent action was taken by WTO Members. The situation of rich cotton-producing countries was radically different, as they enjoyed numerous other competitive advantages and had the means to facilitate the adjustments required, on account of their advanced stage of development. The co-sponsors wished this to be a simple document, as there had not been time to develop complex mechanisms, which might, moreover, run counter to basic free-market principles.

Their submission therefore consisted of no more than the following three proposals: First, an early harvest decision, to be reached in Cancún, in view of the urgent situation. The objective was that this decision should form part of the final agreements of this negotiating round, but that its implementation should begin without delay, as had been agreed for tropical products during the Montreal Ministerial Conference. Second, the progressive elimination of all cotton subsidies over a clearly specified period, under an agreement to be negotiated. On 18 July 2003, during the WTO negotiations on agriculture, these countries had proposed a three-year period, extending from 2004 to 2006, for the complete elimination of all cotton subsidies. Third, the establishment of a transitional, degressive compensation mechanism. The compensation, paid by the subsidizing countries in an amount commensurate with the level of their subsidy reduction efforts, was solely intended to enable exporting LDCs to maintain their cotton production until such time as the international market became completely liberalized and they were able to make full use of their assets. The compensation would therefore be paid to cotton growers, who would thus be able to continue growing their cotton, even though the benefits of free trade could not be expected in the immediate future. These proposals were directly inspired by the Doha Declaration, whereby Members had undertaken to make substantial subsidy reductions over the course of the current negotiating round. In Doha, Members

had also decided to call this round the "Doha Development Agenda", undertaking to ensure that the developing countries would be able to participate in the expansion of world trade. Their hope was for a solution acceptable to all. Although the urgency of the situation could be cause for despair, these countries maintained their vision of a world without cotton subsidies, a world that would allow them to make use of their competitive advantage in cotton and to play their part in international trade.

They were asking the international community to strike a balance between national and global interests. It was not fair, in order to save a few thousand cotton growers in rich countries, to sacrifice the one and only livelihood of several million small producers in LDCs. President Compaore of Burkina Faso had expressed this well when he had said: "We do understand that rich countries are concerned about the havoc being wrought by terrorist violence against the Western world, but we in turn ask you to show some interest in the terror caused by hunger and poverty, which itself is a form of terrorism generated by your subsidies." International organizations such as the International Monetary Fund, the World Bank and the WTO generally recognized that the elimination of subsidies, i.e. domestic support and export subsidies, would restore free trade, generating clear benefits for LDCs which now suffered the most from the distortions caused by subsidies. The LDCs were most directly affected by unfair competition from subsidized products. In the short term, the elimination of cotton subsidies would lead to a fall in global production and a rise in cotton prices. In the medium term, cotton prices would stabilize and production would focus on competitive countries, in particular those not subsidizing their cotton production and exports. For them, this would bring an increase in their farmers' incomes, which would benefit their domestic economies, and would mean that they would be pursuing poverty reduction efforts geared towards sustainable development, which was the only way to shed their dependency on international aid. They would undoubtedly still need international cooperation, which might be used to strengthen their autonomous economic development efforts, whereas now it was often used for humanitarian purposes, in order to respond to emergencies and catastrophes caused by growing poverty. These countries' request was therefore a simple one. They were not seeking aid or charity, but to be treated in the same way as all other Members. They therefore asked Members to respect the principles of free trade, not only for the products and services of interest to wealthy and powerful nations, but also for those in spheres where poor countries had real competitive advantages. This was admittedly a matter of international solidarity, but also and primarily a question of survival of the world trading system and of acknowledging the interests of all parties, so that all were able to benefit from the world trading system. The WTO should be able to show, through the action of its Members, that it was capable of adjusting its system and its rules so as to give its Members, large and small, rich and poor, a chance to take advantage of the powerful engine for development that world trade represented. Members had succeeded in finding a solution to contain the perverse effects of the Agreement on TRIPS and to take account of the situation of poor countries that suffered the devastating consequences of disease without any pharmaceutical industries of their own. They were confident that those same Members would succeed in finding a solution to remedy the adverse impact of agricultural policies in the cotton sphere, and to provide the one and only chance for them to take part in world trade. He asked Members to participate in finding a speedy solution.

The representative of Chad said that it was an honour and a pleasure for him to represent his country at the Fifth Ministerial Conference in Cancún. He wished to thank the Mexican authorities for the warm welcome his delegation had received since its arrival, and to congratulate Mr. Derbez on his appointment as Chairman of this august assembly. He also congratulated the Director-General, his Secretariat and all those who had made considerable efforts to make this Conference a success. As a mid-term review of the Doha Round of multilateral trade negotiations, this Conference was a crucial stage in the process to ensure that account was taken of the legitimate concerns of the least-developed countries. Chad therefore attached the utmost importance to the outcome of these proceedings, which should lead to concrete results if the organization was to maintain its credibility in everyone's eyes, and especially those of the weakest. His country endorsed and supported the African Group's position on agricultural issues, namely: (i) broader international market access for African products; (ii) elimination of all measures leading to market distortions – primarily subsidies granted by wealthier

countries to their farmers and exporters; and (iii) recognition that cotton was a special and strategic product on account of its economic importance for their countries and its contribution to poverty reduction. If there was one economic sector which was open to international competition and in which Africa had a distinct competitive advantage, it was the cotton sector. The countries of West and Central Africa (WCA) had invested considerable effort in making this a competitive sector in terms of cost, and the quality of their cotton was recognized as outstanding by the spinning industry worldwide. Cotton played a central role in West and Central African economies, accounting for more than 60 per cent of these countries' export revenue. More than 15 million people derived the majority of their income from cotton growing. The present difficulties experienced by this sector had immeasurable repercussions on these countries' economic and social environment. Despite its competitiveness and economic importance in WCA countries, the cotton sector of West and Central Africa was unquestionably in jeopardy, for it was suffering the impact of the export subsidies and domestic support granted by various Members to their producers, contrary to certain provisions of the Doha Declaration. In this regard, Chad – as one of the co-sponsors of the cotton initiative – requested that a fair and equitable solution be found during this Conference. Chad was convinced that it was here in Cancún that the international community would find an answer to the crucial problem of cotton subsidies. His delegation accordingly reiterated its support for the demands set forth in document WT/MIN(03)/W/2.

Regarding other, no less vital, issues Chad urged Members, and particularly the developed countries, to translate into action the political will so frequently expressed in the various proceedings. The special and differential treatment provisions should thus become mandatory and binding. His delegation also urged fulfilment of the commitments contained in the Doha Declaration on TRIPS and Public Health, so as to allow countries to take effective action to combat diseases such as HIV/AIDS, malaria, tuberculosis and other infectious diseases. It welcomed the strengthening of capacity building and technical assistance in the sphere of the Singapore issues. It also attached considerable importance to the Integrated Framework for Trade-Related Technical Assistance, and accordingly requested additional financing so as to enhance the IF's capacity to offer the goods and services needed for Chad's development.

The representative of the United States said that her delegation had listened closely to the contributions of other Members, and appreciated this opportunity to share the views of the United States on this topic. The United States had reviewed the sectoral initiative advanced by Benin, Burkina Faso, Chad and Mali. It recognized the unique development challenges facing these four countries, the great significance of cotton to their economies, and its important role in their ongoing progress. It had discussed the initiative with representatives of these countries on a number of occasions in Geneva, in Benin, and most recently in Cancún. The US Trade Representative and the Agriculture Secretary had met with Trade Ministers from the four countries earlier that week. This initiative highlighted the importance of ambitious results for all agriculture. The United States had proposed to slash subsidies and tariffs on farm products and to eliminate tariffs and non-tariff barriers on manufactured goods, and supported sectoral initiatives in both the agriculture and goods negotiations. It was also important to note that the problems affecting cotton extended far beyond the issue of subsidies. An analysis by Mr. Goreux, formerly with the IMF and the World Bank, concluded that the price fall had been due to a combination of factors: competition from synthetic fibres, the slow-down in world economic activity, and higher yields due to favourable weather conditions. In order to effectively address the concerns raised, the United States felt it was important to look at the range of critical factors affecting the price of cotton.

Cotton was a key input in an integrated global manufacturing chain stretching from fibre to textiles to clothing. Therefore, if Members were to respond effectively, it was vital to boost demand not only for cotton, but also for cotton-related products. Currently, cotton and cotton products faced a vast array of often overlapping barriers that limited market opportunities and distorted trade. Trade-distorting domestic support – as permitted under current WTO rules – was applied by a number of cotton-producing Members, including the United States, the European Union, China and some

developing countries. The global average allowed tariff for cotton under WTO rules was 56 per cent, and high tariffs sometimes exceeded 100 per cent. The global average allowed tariff for textiles and clothing under WTO rules was 38 per cent. Non-tariff barriers affecting textiles and clothing included lengthy and non-transparent customs procedures, reference pricing, difficult and costly marking and labelling requirements, and burdensome testing methods. Industrial policies, particularly those related to the development of man-made fibres, could distort the market and displace sales of cotton and cotton products. The same was true of practices of some cotton exporters, including state ownership and government monopolization, special tax advantages and export requirements. Members should look toward immediate solutions, including harnessing US, World Bank and other donor assistance to help with the special trade capacity challenges these countries faced in agriculture and industry, including for cotton and cotton-related products. The United States felt it was important that WTO Members also supported measures that moved all collectively toward more open markets in these sectors. The United States believed that together, Members could find ways to customize a solution to address this particular problem and to connect the energy of globalization to a widening network of development.

Here in Cancún, the United States had discussed with the four countries the idea of proposing a separate comprehensive sectoral initiative that targeted distortions in the entire value chain of production affecting cotton prices. This would start with raw cotton, and include man-made fibre, textile and clothing trade. Such an initiative would need to address four major areas: (i) government subsidies for cotton and man-made fibre; (ii) tariffs and other charges in fibre, and textiles and clothing, to help boost sales of raw cotton and cotton materials; (iii) non-tariff barriers; and (iv) other barriers, such as state monopolies, special tax advantages, and export requirements. A comprehensive initiative that tackled trade barriers and trade-distorting practices along the manufacturing chain could improve economic prospects for farmers in Africa and elsewhere by opening export opportunities, and growing local and regional markets. It could also encourage the development of value-added production, thereby decreasing the reliance on commodities – a critical priority for many developing countries. In addition, it underscored the vital interplay between agriculture and industrial market access that was so crucial for Africa's economic growth. In keeping with the spirit and vision of the Doha Development Agenda, the United States looked forward to working with Benin, Burkina Faso, Chad and Mali and other Members to explore ways to meet immediate needs, while ensuring a continued focus on opening global markets across the board. Only this way could Members expand a virtuous circle of trade and economic growth for developing and developed economies that could strengthen all.

The representative of Canada said that Canada supported the West and Central African countries in their demand for an immediate decision to stop trade-distorting domestic support and export subsidies in cotton as quickly as possible. The hardships suffered by the West and Central African producers were a compelling example of the damage created by trade-distorting subsidies. Canada and other donors were working with these countries to help their agricultural sectors. At the same time, high levels of trade-distorting subsidies in a few countries were actively undermining this work and threatening the livelihoods of 10 million people. The problem had gotten worse since the Doha Ministerial Conference. Seventy-three per cent of world cotton production had benefited from direct income or price support programmes in 2001/2002 compared to 55 per cent in 2000/2001. That was why Members needed ambition in the agriculture negotiations. This meant eliminating export subsidies, and substantially reducing or eliminating trade-distorting support, including through the capping of overall levels of domestic support. A high level of ambition in agriculture, as Ministers had agreed in Doha, would help address these anomalies and deliver better development results. The need for ambition also went further than the agriculture negotiations. Members had to go beyond providing a fair deal for primary producers and create the conditions for increasing value-added exports by developing countries. This entailed high levels of ambition in non-agricultural market access negotiations, especially sectors of interest to developing countries. In Doha, Ministers had agreed that this should be a Development Round. Addressing the cotton issue would demonstrate their commitment.

The representative of Australia said that as a major agricultural producer who continued to campaign vigorously over the years with its other CAIRNS Group colleagues for reform of international trade, Australia strongly supported the call by the four African countries to eliminate cotton subsidies. Australia was a major producer and exporter of fibres, including cotton and wool, and thus knew from first-hand experience the disastrous impact of subsidies on international trade. Australian cotton producers, like their African counterparts, received no subsidies from their Government. In his message to the Conference that morning, the UN Secretary-General had implored all to say "no" to trade policies that aggravated poverty and "no" to trade practices that undermined aid. There was no more egregious example of the damage done by subsidies in rich countries than the case of cotton. It was not the only example – it applied equally in many other commodity sectors of interest to developing countries – but it was certainly one of the worst. The four co-sponsors of this initiative had painted a graphic and tragic picture of the economic, social and humanitarian impact caused by the domestic support and export practices of rich developed countries. All Members had been moved by the appeal from these countries for action to eliminate the subsidies that kept their farmers in poverty and misery. Australia stood ready to engage in any constructive way to find a solution which would improve the plight of cotton producers in Africa and other countries. Australia believed that a solution could and should be found in the context of the agriculture negotiations.

The representative of Burkina Faso expressed appreciation for all the goodwill and individual and collective initiatives that had led to the cotton initiative being placed on the agenda of the WTO Committee on Agriculture, thus enabling Members to discuss the matter at the present meeting. Special thanks were due to the Chairman of the General Council, the Director-General and his team, as well as the Chairman of the Committee on Agriculture for their support and understanding. He also commended all those who had worked to ensure that the commitments undertaken in Doha were acted upon. Burkina Faso welcomed the fact that, in Doha, Members had clearly stated their will that the organization should be marked by two main features – its inclusiveness and hence its universality, and its drive towards development. This was what prompted his country to make a more extensive contribution, and to hope and trust that Burkina Faso would achieve its integration into global trade on fair and equitable terms. His country had submitted this initiative for consideration by Ministers, together with three other cotton-producing countries.

Burkina Faso was a poor country with an economy largely based on agriculture, and especially the cotton sector. This sector was now dying, not for lack of competitiveness, but because of the subsidies enjoyed by cotton producers in some of the world's most developed countries. This had contributed to a dramatic fall in global prices and thus had ruined the profitability of a crop for which Burkina Faso had among the lowest production costs in the world. He earnestly requested each and every Member to see to it that the demands put forward by the co-sponsors were examined and adopted, in other words: (i) that a decision be taken on the modalities for phasing out market-distorting cotton subsidies; (ii) pending the implementation of such a decision, that a compensation mechanism be established to avoid the collapse of the cotton sector in these countries; and (iii) that cotton be recognized as a specific product for these economies. Burkina Faso was not seeking benefits but merely the implementation of the letter and spirit of the WTO rules. Some might respond that if its cotton sector was in difficulty, his country could look towards other production opportunities. But while developed countries could re-direct and diversify their agricultural production in the short term, unfortunately the same was not true of the developing countries, which were constrained by climatic and development factors. The urgency of the situation was such that Burkina Faso could not leave this Conference without a solution, because a collapse of the cotton sector would spell disaster for it. It also required duty-free access to developed-country markets for its cotton exports. Should Ministers not succeed in finding a favourable solution to this issue, the development objective of the Doha Round would become a dead letter. It would not be in his country's interest to enter into an agreement that would practically exclude it from action on the international trade scene, turning it into a victim and a mere observer. The sponsors of the initiative had presented a special case and their demands were simple. They believed that dialogue could help

find an answer acceptable to everyone. Their initiative was not directed against any country or group of countries. They were merely seeking, through an exchange of views, to reach a solution favourable to all. They believed that this was possible, and they stood ready to pursue discussions on this issue, taking into account the constraints facing the various parties. Lastly, he wished to inform the Chairman that before he had left Burkina Faso for Cancún, his country's cotton producers had handed him a petition signed by 71,000 producers, asking him to convey that petition to the Chairman.

The representative of Cameroon joined previous speakers in expressing his delegation's gratitude to the Government and people of Mexico for their warm reception and for the perfect organization of this Conference. Cameroon associated itself with and fully supported the joint proposal by Benin, Burkina Faso, Chad and Mali concerning the Sectoral Initiative in Favour of Cotton. Cameroon was all the more in favour of this initiative since, as a cotton producer and exporter itself, it had sought to implement WTO rules by abolishing all agricultural support and reforming agricultural subsectors, particularly within the framework of structural adjustment programmes. His delegation welcomed the interest expressed by several countries as well as the goodwill expressed by others, in seeking a solution to this problem. Moreover, Cameroon hoped that similar attention would be paid to the trade policy review of other products, such as bananas, of which his country was the main ACP exporter. Bananas were an essential element in Cameroon's poverty reduction strategy, and an essential factor in political and social stability. In view of the forthcoming enlargement of the European Union and the relevant negotiations, Cameroon urged that the rules of transparency and fairness, as well as the principle of cooperation, be respected, and that the views of ACP countries be taken into account.

The representative of Guinea associated her delegation with previous speakers who had in congratulated the Chairman on his election to the Chairmanship of the Conference. Her delegation welcomed the inclusion in the agenda of the cotton issue, which was of vital importance to millions of poor farmers engaged in a bitter daily struggle for survival. Indeed, it was not only the four co-sponsors of this initiative, but all of the cotton producers throughout the African region and elsewhere that were concerned by this issue. Thus, it should come as no surprise that Guinea, itself a cotton producing country, should associate itself so closely with the initiative and should ask that the friendly words that had been heard be backed by concrete action aimed at finding a viable solution. It was with this in mind that Guinea advocated the effective granting to these countries of sufficient compensation to repair the damage suffered over the past few years in connection with the loss of revenue that had followed the fall in the price of cotton on the international market, as a result of the subsidies granted by developed countries to their cotton producers. To put an end to this highly sensitive problem once and for all, Guinea requested the total and rapid elimination of all forms of subsidies which had a negative impact on the cotton sector. To that end, her delegation appealed to all Members concerned by this issue to act in a spirit of openness and goodwill to ensure that the work in Cancún would rekindle the hope of the populations in the countries concerned.

The representative of South Africa thanked the group of West and Central African countries for their proposal and commended the WTO Secretariat for putting the matter on the agenda for discussion at this important meeting. While the proposal focused on the particular concerns of LDCs, her delegation believed the issue also had wider systemic implications. South Africa also noted that this was not the only product of interest to developing countries that remained highly distorted and limited their income prospects. For South Africa, the issue of sugar was one such case in point. South Africa strongly agreed with the view that cotton was a strategic agricultural commodity. In the spirit of moving towards free trade, South Africa had deregulated its agricultural sector as far back as 1997, and this included cotton production. In the face of this, the sector had experienced a dramatic reduction in domestic cotton production over the past few years. One of the reasons for this decrease was the low international price for cotton and the linked role that subsidies in developed countries played. These had been well documented in the proposal under discussion. South Africa had recently developed a long-term strategy for its cotton sector that had the objective of addressing broadened participation, global competitiveness, food security and sustainability.

These were the four key pillars of its agricultural policy, and were aimed at poverty reduction. South Africa also saw the cotton industry as an important vehicle for its development, and one that had particular potential for broadening economic access to agriculture and thus the process of black economic empowerment in the country. As Members were aware, South Africa still had the challenge of duality in its agricultural sector, as a result of the apartheid system.

Her delegation believed the proposal before Members was a valuable contribution to the Doha Development Agenda and the implementation of the New Partnership for Africa's Development (NEPAD). It was also consistent with its position in favour of substantial reduction of trade- and production-distorting domestic support and export subsidies of all kinds. This proposal, on the one hand, starkly highlighted the distortions that existed in the trade of this commodity and, on the other hand, represented a strong plea for leveling the playing field in a product of great interest and potential for Africa. The proposal was an example of the nature of fundamental reforms in agricultural production and trade that were required in the world and that South Africa had argued in favour of in this forum. The difficulties raised in this proposal deserved attention and serious reflection by all Members. The concrete proposals put before Members represented the kind of decisions that Members needed to be making in order to move from the undesirable current state of affairs in global trade, to where Members wanted to be – in a fair trading system. She believed that this offered all an opportunity to do what was right in order to prevent calamities in the future. The cotton initiative further reflected the requirement for sequenced and complementary actions by all, in order to level the playing field. In Doha, Members had committed to addressing the marginalization of least-developed countries in international trade and to improving their effective participation in the multilateral trading system. South Africa therefore welcomed the proposed "Sectoral Initiative in Favour of Cotton" and in particular supported the earliest phasing down and elimination of all production- and trade-distorting subsidies. This Ministerial Conference should support the establishment of a mechanism to phase out support for cotton production with a view to its total elimination, and the implementation of transitional measures for LDCs until such time that cotton subsidy measures had been completely eliminated. She trusted that all would look at the this proposal with the merit it deserved.

The representative of Bangladesh, speaking on behalf of the LDCs, said that the four LDC co-sponsors had jointly outlined the plight of their cotton growers. This was a grave problem that demanded urgent attention from the WTO membership. Agriculture was the backbone of LDCs' economies. For many of them, particularly in Africa, agricultural products constituted the most important sources of export earnings. For some countries, one-third of total export earnings was dependent on cotton. Millions of farmers and their families survived on the production and export of cotton. One could not over-emphasize the importance of cotton in these countries. Research and empirical analysis had firmly established that domestic support and export subsidies to the cotton sector were distorting global trade in this product. The farmers in these four countries could not compete effectively in a highly distorted market, even though they might be efficient producers. The presence of the Head of State of Burkina Faso in a WTO meeting emphasized the seriousness of the problem, and the need to urgently address it. In a sense, the distortion in cotton trade was severely undermining the basic objectives of the WTO. The appeal of the four African countries was consistent with the basic objective of the Doha Development Agenda. The Doha Declaration was committed to putting the needs and interests of the weakest countries at the forefront of this Round. Members had a collective responsibility to correct the prevailing distortions, and to establish a fair and market-oriented trading system. The solution that the four countries were seeking should not be difficult to accommodate. Cotton growing played a minor role in the economic activities of industrialized countries. As underlined in the statement of the UN Secretary-General at the opening session of the Conference, a small effort on the part of the industrialized countries could help millions among the poorest farmers in Africa. Members should work to ensure that the multilateral trading system benefited all. As the weakest Members, LDCs like Benin, Burkina Faso, Mali, and Chad, needed to be supported by all Members to trade their way out of poverty. The LDCs hoped that this

Round would deliver on its promise of promoting development, and help the cotton growing countries among the LDCs.

The representative of Senegal said that in presenting the joint proposal on the Sectoral Initiative in Favour of Cotton, the four co-sponsors had raised a problem which, it was true, affected them more than any other Members, because of their heavy dependence on cotton. At the same time, however, they had been expressing the concerns of many African farmers who were suffering from the serious distortions caused by unfair trade practices in the cotton sector. This was why Senegal strongly supported this initiative, in the firm belief that a settlement of the cotton issue would bring relief to millions of farmers that were unable to cope with the disastrous situation caused by unfair rules that enabled the well-off countries to grant massive subsidies to their farmers. Prior to the Cancún Ministerial Conference, Senegal had collected 240,000 signatures from its civil society to support the initiative of these four cotton-producing countries. Senegal had also collected from the 120 representatives in its Congress, a motion in support of these co-sponsoring countries after the very important support pledged by President Wade of Senegal at the G-8 Summit in Evian. Therefore, there could not be the slightest doubt that in finding a concrete and immediate solution to the problem through the elimination of distorting subsidies and the establishment of a financial compensation mechanism, the developed countries, through the WTO, would make a useful contribution by enabling the countries affected to continue to believe in the virtues of the multilateral trading system. She expressed her full optimism at the prospects of finding a solution to the problem along the lines proposed by the four co-sponsors.

The representative of India welcomed the proposal by Benin, Burkina Faso, Chad and Mali on cotton subsidies, and fully supported the proposed time-bound elimination of export subsidies and domestic support on cotton. India too had roughly nine million hectares of land under cotton cultivation with total annual production ranging between 10 to 14 million tons. Therefore, India fully shared the concerns expressed in the proposal that certain Members continued to apply support measures on agricultural products, which distorted prices in the international market. As a result, much lower returns accrued to producers in the developing countries. It was also evident from the case before Members that what was at stake was the survival of the farmers in the countries of the proponents. Cotton was not the only product where poor farmers in developing countries had been victims of such policies. Sugar, dairy products, cereals and oil seeds were other glaring examples. The proposal by the proponents on cotton subsidies drew attention to the urgent need to do something now. The UNDP's Human Development Report 2003 made it evident that unless distortions in agriculture caused by heavy subsidization of a few farmers in developed countries were meaningfully addressed in the reform of the agriculture sector that had been launched by Ministers earlier, rich-country farmers would remain the sole true beneficiaries of subsidies, with a multitude of losers among the poor and the poorest farmers across the globe. India once again emphasized that it could not disregard product-specific reduction of domestic support and elimination of export subsidies across all products which distorted world agricultural markets. A commitment to eliminate undue support on cotton, as proposed, would be an important first step in that direction.

The Ministerial Conference took note of the statements and also took note that this matter would be taken up in the informal consultative process and that Members would have an opportunity to review progress on this issue in the course of the Heads-of-Delegations meetings.

The meeting adjourned at 8.10 p.m.
