

Check against delivery

Opening Address by Agnes van Ardenne, Minister for Development Cooperation of the Netherlands, at the EU-Africa Cotton Forum, Paris, 5 July 2004

Ladies and gentlemen,

On behalf of the European Union, may I say how pleased I am to see you here today. We are here thanks to the leadership of Benin, Chad, Burkina Faso and Mali. These four African cotton producers presented their case in the WTO negotiations. They raised awareness of the vital importance of this commodity for a number of African countries and succeeded in putting cotton prominently on the Doha *Development Agenda*. Given the recent verdict of the WTO cotton panel, negotiations may now be gaining new momentum. Cotton is at the heart of the WTO.

As you know the EU has actively taken on its responsibilities. It has not only recognised the importance of cotton for millions of Africans. It has also taken concrete steps to move the issue forward. Today we are here to approve the EU-Africa cotton partnership. A partnership which builds on the new EU Action Plan for agricultural commodities. The Action Plan includes all agricultural commodities important to employment and income in developing countries, such as cocoa, coffee and sugar. It outlines the EU's policy and action on agricultural commodity chains, dependence and poverty.

*Let me start today's meeting by answering three basic questions that could be asked about this partnership:*

Why a focus on cotton?

Why a partnership?

What should be achieved during these two days?

First of all: why cotton?

We all know that cotton is an important commodity in many African countries. I will illustrate this with a few figures: two to three million producers and roughly 15 million people depend, directly or indirectly, on cotton for their living. And it accounts for between 30 and 40 per cent of export earnings in Benin, Burkina Faso, Chad and Mali. Western and Central Africa are the third largest exporters of cotton, after the USA and Uzbekistan.

We also know that the African cotton sector is suffering from international measures that benefit a small number of farmers in rich countries. Africa has requested phasing out the trade-distorting subsidies that some rich countries give to their producers as soon as possible.

The EU has made an important move towards reducing these subsidies in the cotton sector. As part of a wider package of reforms, 65 per cent of EU cotton subsidies will be decoupled from production and paid out as farm income support. This will encourage EU farmers to grow less cotton. The European Commission will monitor the impact of these reforms on production and trade. Furthermore, it should be noted that, unlike the US, the EU does not provide export support to cotton, or apply import tariffs. As part of the *Everything But Arms initiative*, *the EU does not even apply tariffs on textile and clothing products from LDCs*. All of these measures are important because, although the EU is itself a small cotton producer, it is a major trading partner for African countries.

The European Union recognises the importance of the cotton issue in the WTO negotiations. We agree that, within the current negotiations, a specific and timely solution has to be found for market distortion. We need to focus on the framework for agriculture we are all aiming to complete by the end of July. It is vital for the success of the cotton initiative to include concrete arrangements for cotton in the framework deal.

But solving trade issues is not enough. The African cotton sector is also under threat from other quarters. *There is increased quality and price competition from other cotton-producing countries and from synthetic fibres*. And the sector has limited capacity to cope with external price shocks. At the moment, with prices high, this threat looks less serious, but few companies and countries have taken steps to cope with a repeat of the price shock in 2001. This is another reason for a specific focus on cotton.

Ladies and gentlemen,

Our common focus on cotton is clear. It is a vital sector for millions of poor people, and was actively promoted in the Doha Round by the least developed countries. It is a part of the agriculture reform package on which the EU has made a major move. And it is a commodity *which faces many other challenges than just the trade issue*.

This brings me to my second question: Why a partnership?

The European Union has a long-standing relationship with Africa, through the successive Lomé Conventions and now the Cotonou Agreement. We have been major international trading and development partners in cotton for many years. Today, the European Union is proposing that we enter into a partnership with Africa to support the long-term development of the cotton sector in a comprehensive, structural and sustainable manner.

A partnership is more than just bringing together as many actors as possible. A partnership implies a move *away from the 'old' relationship between donor and recipient countries*. In a partnership, two or more parties combine their

knowledge, skills and resources to achieve a common goal. By searching together for added value, partners enter into a joint commitment.

An EU-Africa partnership implies more than just cooperation at government level. Governments set the policies and the rules of the game, but the producers, traders, ginners and financial institutions are key stakeholders in the development of the sector. They are a vital part of any cotton initiative. The EU-Africa cotton partnership explicitly aims at strengthening private- private partnerships between African and EU businesses. It is very encouraging to see all these parties present here today.

*What should we aim to achieve during these two days?* Mr Chairman, with this final question I would like to challenge the different parties gathered here.

Today we have the opportunity to make a move. The aim of this forum is to endorse the EU-Africa partnership on cotton and to draw up a plan for its implementation. Allow me to suggest some key elements. I will focus on development. Commissioner Pascal Lamy will elaborate on trade later on.

I would like to call upon all parties present to develop a cotton strategy on a national and – where possible – regional basis. I know some countries have already drawn up strategies and will present them today. I feel others should follow their example. In my view, these strategies should have at least four elements: an *enabling environment*, *the supply of support services*, diversification and the mitigation of price risks. I would like to elaborate on this briefly.

An enabling environment is necessary to increase private investments and to help cotton companies cope with international competition. This requires first and foremost that they operate independently from the national budget. It also requires a shared responsibility between producers, ginners, input providers and local banks to organise the sector and safeguard their common interests. The cotton sector could benefit from interprofessional cooperation. In addition, the sector needs a solid legal and regulatory framework, where the rules are transparent and the rule of law well established. I would like to ask all parties here with experience in this field, to share it with the rest of us.

The second element of a sector-wide strategy is the organisation of support services for private-sector operators. As a result of the Structural Adjustment Programmes of the late eighties and early nineties, the state stopped providing many of these services. Now, they are considered a shared responsibility of government and the private sector. The government should provide quality control systems and the necessary infrastructure, and create an environment that stimulates technological innovation. The private sector should be responsible for developing credit facilities, supplying inputs and adopting technological innovations.

The third element is diversification of the cotton sector in the medium and long term. Options for diversification, *in a way that would contribute to poverty reduction*, could be investigated. Eco-cotton might be one possibility; or diversification into more non-traditional goods, such as flowers and vegetables. This would reduce the vulnerability of excessive dependency on a single commodity.

The final element is risk management. African cotton producers and traders can reduce their vulnerability to external price shocks by using modern risk management instruments. The international financial sector is prepared to improve access to these instruments for small producers. I would encourage cotton-producing countries to cooperate with institutions like the World Bank, to ensure that price risks are reduced in a sound and affordable manner.

*The strategic approach should build on past experiences and be integrated into Poverty Reduction Strategies.* This also facilitates the pooling of resources by development partners, minimising the administrative burden on the partner countries.

I have so far elaborated on the actions we expect from our African counterparts. But what will the contribution of the members of the European Union be? As EU members we should first and foremost identify how our bilateral programmes can be better designed to tackle bottlenecks. And these programmes need to be coordinated between members states. In line with the EU-Africa partnership, we should adopt an integral approach. This means that support should encompass development cooperation, as well as instruments in the *field of trade and investment, financial mechanisms and political support*.

Ladies and gentlemen, let me conclude by saying that we have come together today in Paris to make the cotton partnership operational. The European Commission and member states of the EU have made their intentions clear, by adopting the Council Conclusions on 27 April. I sincerely hope that, during these two days, all parties will be actively involved in the discussion, and that this will lead to a broadly supported action plan for implementation. At the end of this meeting, I would expect all parties to be clear about their expectations and explicit about their own intentions and actions. We do not need more vision, we need more action.

Thank you.