

For an EU-Africa cotton partnership.

Speech by Pascal Lamy, EU-Africa Forum on cotton, Paris, 5 July 2004

Ladies and Gentlemen,

We are meeting here today to discuss a question that concerns African countries and the European Union in equal measure, and one which has recently gone to the very heart of the international trade debate. This is why I am particularly pleased to be able to participate in the opening of this cotton forum.

Cotton is a product with a long and often symbolic history, and one which is at the centre of development for some countries. This development dimension has always been a major concern of mine, throughout my time as European Trade Commissioner. Indeed, the whole Commission has worked hard to fully integrate development into the framework for multilateral negotiations under the Doha Development Agenda, and into our bilateral agreements.

In the same way, we have ensured that the development policy of the European Union has included the trade dimension, with the key aim of helping developing countries open trade and identifying the best ways to work with them in financial partnership.

This is why I particularly wanted to be here today, as we are debating the partnership proposed by the European Union for action on cotton.

Since the 'Cotton Initiative' was launched at the WTO by the four African cotton producers, the Commission has looked very carefully at the concerns of the countries of Central and West Africa in terms of the price of cotton on world markets.

This is an important concern, as we have long been examining the more general decrease and volatility in prices of agricultural products- and cotton has given us an example of the sensitivity of this question. But we are also fully aware of the key role played by cotton in the economic development of countries that are among the poorest in the world, and that the decrease in cotton prices has directly and negatively affected millions of small producers. It was important to start with a specific 'test case' but when it is applied more generally to agricultural products, we do see the urgency in the matter.

This is why the European Union is proposing a partnership with Africa, aiming to support the cotton sector. The main objective of today's forum is to discuss, test, improve and – if possible- to validate our approach. At the end of the forum, we would like to come away with a common strategy for putting our words into action.

The European Union, which includes both the Commission and the Member States, has long worked actively with numerous cotton-producing African countries on the development front. The partnership we are now proposing is an opportunity to consolidate this collaboration, by integrating it into solid national and regional strategies and by reinforcing co-operation between all players.

This EU-Africa partnership will have two separate but complementary axes- a trade axis and a development axis. This illustrates the coherence that exists between the two- trade is an essential element but not the only necessary factor for development, or even for economic growth. Many other elements are necessary in order to make a development policy work in practice. First, the willingness of national players, which translates into good domestic policy; but also obviously strong support from the international community for these internal efforts.

This trade and development approach is the foundation of the future Economic Partnership Agreements that the EU is currently negotiating with the ACP countries.

Europe has proposed these partnerships, but we have also been working internally on our own policies. And the commitments we have made here have not fallen by the wayside. The EU has, on its own initiative, committed to a profound reform of its own agricultural regime for support to the cotton sector. While the EU has made this commitment, Community

production only represents a very small part of total global production (around 2%) and EU support does not have a large impact on global price tendencies.

So what can African countries expect from this reform? Well, through a better market system, mainly a reduction in trade distortion. The reform significantly reduces domestic support which has a distorting effect on trade (the so-called WTO yellow and blue boxes) and therefore changes the incitement to produce; farmers will now make production decisions according to market evolutions, rather than on the production support available. There is no doubt that this will have positive effects on market evolution for African producers.

One point should be underlined here. It is clear that reforms undertaken by the EU only make sense if all cotton producers who support production and exports make a similar commitment. Europe only constitutes a very small part of global cotton production, does not export cotton and imports at zero percent from the least developed countries. Our reform does not remove the pressing need for other developed countries to reform their agricultural support policies. I should say here that the agreement made at the June G8 summit on this point was a positive political step in the right direction.

But the appropriate framework in which to negotiate internal political disciplines is within the WTO agricultural negotiations. And here, you can't fail to have noticed that we are working very hard at the moment in the WTO to reach a framework agreement by the end of July.

On cotton specifically, the position of the Commission is very clear and was reiterated in the letter sent by myself and Franz Fischler to all WTO members on the 9 May. The European Union supports African countries in looking for a specific solution on cotton. And this solution must be an integral part of the agricultural negotiations, in the interest of the African producers themselves. If cotton is isolated from a wider negotiation in which a global balance is found, it seems illusory to expect to reach a solution. We must find ways to encourage to other parties, notably the United States, to modify and change their policies- and we have a unique opportunity to do this in the July agreement.

In this framework, the European Union has not been content with general declarations. We have made some concrete proposals on the adoption of cotton-specific disciplines. What are these? They are three-fold: first, we propose that developed countries eliminate the most trade-distorting forms of domestic support; second, we propose the elimination of export support in the cotton sector; and third, we propose complete and full market opening for cotton for the LDCs, akin to Europe's 'Everything but Arms' initiative.

There is little time left to reach an agreement. And if we are mutually determined to find a balanced solution, everybody must be prepared to be flexible. I know that our proposals will not meet all the demands of the African countries. But I can assure you, they won't be met with huge enthusiasm by the United States either! Everyone will have to move to reach a successful agreement.

But by the mere fact of our meeting here today, we are once again stating our firm commitment to support your cause and to include the issue of cotton in the agricultural framework negotiations, to find a solution that is suitable and acceptable for everybody.

A few issues outside the negotiations themselves have also evidently come into play recently. I am talking, of course, about the famous Cotton Panel initiated by Brazil against the United States. We do not know the details of the WTO decision, admittedly, but the press has provided enough echoes of this for us to believe that the Panel has found in favour of Brazil. So some promises and changes can be envisaged for the future.

But I would like to draw attention to the fact that nothing definitive has yet been concluded. The United States has announced its decision to appeal, and we will have to wait for the appeal decision in order to know the implication for the panel. Moreover, the most important concern will be that the decision- whatever it is- is put into force in detail. For me this only serves to reinforce the need to work quickly to find agreement within the current negotiation.

To conclude then, this forum illustrates the firm wish of the European Union to establish an open and constructive dialogue with our African partners. And I would like to thank the French government for hosting us here today. These two days also show the efforts made in a relatively short period of time by the European Commission, and the Member States to propose a response adapted to the legitimate demands made at Cancun.

Some suggestions have been proposed for free and open debate during this forum. Our goal is to establish a common vision of the practical modalities for this partnership. And our ambition is not for this to be a temporary partnership or 'mobilisation' but that it should be an enduring co-operation. I would like to finish on this request for sustained energy and ongoing commitment, and ask you to make the first step on this journey- no doubt long and at times difficult - towards a redevelopment of the African cotton trade.

Thank you very much for your attention, and I wish you an enjoyable and fruitful debate.