



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Memorandum 807

To: Delegates to the Standing Committee, Coordinating Agencies, and Members of the Private Sector Advisory Panel

From: Executive Director

Subject: Suspension of Doha Round; Work Will Continue

Date: July 24, 2006

Member governments of the ICAC agree that subsidies and trade barriers distort cotton production and trade contribute to price volatility, hinder economic development and cause the burden of adjustment to lower cotton prices to fall heavily on producers in countries with limited or no government support. At its 64th Plenary Meeting last year in Liverpool, UK, the ICAC called on the WTO and its members to urgently reach an ambitious Doha round agreement that resulted in substantial reductions in trade distorting domestic support, improvements in market access, and an early end date to export subsidies. The ICAC has expended much effort and considerable institutional prestige to encourage a successful outcome to the Doha Development Round of multilateral trade negotiations. Therefore, the news today that the Doha discussions are suspended is a disappointment.

Nevertheless, there have been tangible accomplishments toward the goal of reducing subsidies that distort production and trade during the past five years since the Doha round was launched. The European Union has decoupled two-thirds of support payments to cotton from current production. The United States has modified its export credit guarantee programs and is ending the Step 2 program at the end of this month. As a result of the Doha round discussions, there is a renewed focus on commodities and commodity policies as engines of economic growth in developing countries, and the work of the ICAC has helped to raise the profile of cotton. The Doha round has concentrated increased attention on the development needs of producing countries, especially those in Africa.

Perhaps most importantly, as a result of discussions associated with the Doha round, agricultural subsidies that distort production and trade have lost intellectual legitimacy as tools of government policy, and some governments are now moving to reduce incentives for over-production by decoupling support for rural sectors from current production. This process of decoupling agricultural support from current production will continue, and the need for objective information about the nature and scope of government measures affecting cotton remains high.

From the beginning of the Doha round, the ICAC has informed governments about distortions in cotton caused by government measures and has emphasized the need to reduce government measures that distort production and trade. The Secretariat will continue to provide information about government measures. There is also scope for increased activity related to the development aspects of the Doha round. The Committee will continue to work to facilitate improved coherence, coordination and enhanced implementation of development activities in its role as a clearinghouse for information about cotton development projects and as the International Commodity Body for Cotton and Cotton Textiles with the Common Fund for Commodities.

The First Plenary Session during the 65th Plenary Meeting is devoted to the topic of Cotton and the Doha Development Round. This session will be an opportunity to take stock of current developments and discuss how best the world cotton community can move forward at the current time.