TALKING POINT

I- The recent trend of International Trade

The question of the international Trade negotiations is the greatest challenge facing developing countries; for many reasons:

1. It requires skills they don't necessarily master or possess.

2. It covers sectors such as services, manufactured goods, properties law, or simply commodities that depend most of the time on factors or unfavorable environment out of their control.

Many developing countries have succeeded their insertion in the world trade system. United Nations Conference on Trade and Development (UNCTAD) calls this trend "the New Geography of Trade".

The share of developing countries in the world trade has increased from 20% in the 80's to 31% in 2001.

In 2003, for the first time, imports of the US from developing countries have out passed its imports from industrialized countries. The share of exports from US to the developing countries exceeded 40% of its total exports.

- Half of Japan's export goes to developing countries.
- One third (1/3) of the European Union's export also goes to developing countries.
- 40% of developing countries' exports going to other countries.

II- Diverse realities

The global growth rate in 2004 is estimated to 7% and the one in developing countries will reach up to 9%.

- This new geography of trade has shown that manufactured goods represented 70% of the exports of the developing countries;

- The growth of services sector in the same countries has increased by 16%. The services sector represent 50% of the Gross National Product (GNP). An element of comparison is that in industrialized countries services represent 70% of the Gross National Product (GNP);

- This new geography of trade does not profit those countries where trade is mainly based on commodities, be it, mineral or agricultural products.

The synthetic index of commodities price has fallen by 31% between 1995 and 2002.

Although there was a certain increase in 2003 by 12% due to the increase of china's import, the trend is still limited to industrial commodities and very weak as well.

The foods stuff is 20% lower than the average of 1995.

The loss of the shares of African commodities since 1970 has represented 70 billions dollars per year, while Public Aid for Development will represent 24 billions dollars in 2004. That level of aid is 3 times less than the loss of income.

Since 1980, the terms of trade have fallen by 25% for African countries.

III- <u>The case of Mali</u>

Besides the gold mining, cotton is the second most important source of external income for the country.

The total production is 600.000 T per year, making Mali the 1st producer of cotton in Africa. Cotton production represents 14% of GNP of Mali and 30% of its exports income.

Three (03) millions people in Mali live of cotton production and 10 millions in West Africa and Central Africa.

Like other commodities, the price of cotton is very unstable.

International consultative committee on Cotton stated that dismantling of US subsidies to cotton would generate an increase up to 26% of the prize of the cotton.

In 2001-2002, 25.000 US cotton producers have received 3,9 billions dollars in subsidies (more than the GNP of Burkina Faso).

The Europeans have the same practices of subsidies. They paid 1,49 Euro/1kg while the US paid 1,21 Euro/1kg. The level of subsidies was higher than the market prize that was 0,95 Euro/1kg.

The consequence was a loss of 301 millions dollars per year for African countries among which 191 millions dollars for West Africa. The net loss for Mali was 43 millions dollars. That amount is higher than the total public aid the US has allocated to my country for the same period (37 millions of dollars).

The loss for my country represented 1,7% of its Gross National Product and 8% of its export income.

(The cost of production of cotton in West Africa in 2001 was 47 cents/pound. In the US the cost was 73 cents/pound. The market price was at the same time 35 cents/pound).

IV- Treatment of the commodities Trade issues

There at least three means by which commodities trade issues are dealt by international structures.

A- The bilateral solutions

- **The US initiative**: African countries benefit from the African Growth Opportunities Act (AGOA) program, which was extended by the US Senate last July until 2015. This program covers cotton products originated from Sub-Saharian Africa.

- **The European initiative**: “All but arms” also offers a special and differentiate treatment for products originated from Sub-Saharian Countries including cotton products.

B- The UNCTAD Vision

One of them is the vision of the United Nations Conference on Trade and Development (UNCTAD). That vision establishes links between trade and development. The approach of UNCTAD is to promote an **international trade more open, equitable, rule based, predictable and non-discriminatory**.

UNCTAD offers technical assistance to developing countries to promote capacity building in trade negotiations, in the process of diversification of the economies and in building productive capacity. It calls for **special and preferential treatment** in favor of developing countries. It promotes a better environment to attract foreign direct investments and South-South cooperation in technology transfer and trade facilitations (SGPC).

The US does not favor this approach. It prefers to live it up to the rules of supply and demand to regulate the market.

C- The approach of World Trade Organization (WTO)

It is purely market-oriented approach. However; on the issue of commodities, especially agricultural products, the 2003 ministerial meeting in Cancun was not conclusive in terms of results, partly because of "**the sectorial initiative on cotton**" which was supported by my country Mali and some other Sahelian countries such as Burkina Faso, Chad, and Benin.

These countries **request a special treatment** for the issue of cotton.

Their requests are as follows:

- Dismantling of the Production subsidies and export subsidies that exist in the industrialized countries for cotton producers.
- Set up compensation funds as a transitional measure, until the total dismantling;
- Support the diversification of the economies and the that of the products use;
- Help in setting up industries for processing the cotton through partnership with industrialized countries.
- Dismantling of Tariff and non-tariff barriers and the access of cotton to markets without quotas.

An assessment was done about the lack of results of the Cancun ministerial conference. On January 11, 2004. Mr. Robert Zoellick, US Trade Representative, sent a letter to all members of the WTO. European Union Commissioners Mr. Pascal Lamy and Franz Fisclher, (agriculture) did the same on May 9, 2004. So meetings were held between the US, the European Union and the G20 (Developing Countries).

Many other ministerial meetings were held by the Least Developed Countries (LDCs) in Dakar in May 2004, by the Cooperation and Economic development organization (CEDO) in May 2004.

African Union Ministers of trade meeting held in Kigali in May 2004, Ministers of the G20 held in Sao Paulo in June, the G10 held in Geneva on July 5, 2004, Ministers of G90 (APC+AU+LDCs) Mauritius in July 2004.

The Results of these meetings have been to establish a consensus and mutual confidence anew and to resume negotiations.

The General Council of WTO adopted an agreement on August 1st, 2004, it determines the framework on:

- Agriculture
- Market access for agricultural products
- Services
- Questions of development

- Trade facilitations

The Stakeholders are more flexible and realistic. There will be no closing date for the completing of the Doha Cycle (January 2005).

It has decided to hold the 6th ministerial Conference in Hong Kong in December 2005.

<u>The framework on Agriculture</u>: (doc WT/L/579, annex A).

- Substantial reduction even the dismantling of agricultural subsidies (including blue category) in industrialized countries; (no time table for the beginning, the duration or completion of the process): the 1st step will be by 20%.
- Suppression of all exports subsidies of agriculture. The date for the completion is to be agreed up on:
- Negotiations for the suppression of the **export credits** and the **insurance of warranty program** that cause distortion on the market.
- Allowing certain type of subsidies to export and transport of agricultural goods from developing countries “for a reasonable amount of time”.
- Accessing Market: ”substantive global tariffs reduction” will be accorded, except for certain “sensitive” products with compensation on other products.
- Developing countries will benefit **special and differential treatments**. They will be allowed to identify a list of “special products” on which they take “**special safeguard measures**” for food-security and rural development purposes.
- Special measures will be taken in favor of LDCs: to facilitate market access without taxes or quotas on products of **origin**.

<u>Special measures for cotton</u>

Sectorial initiative on cotton will be treated in “an **ambitious, swift and specific manner**” by the sub-committee on cotton which was recently created.

Negotiations will address **distortion** causes like custom taxes on import, internal subsidies and export subsidies. “**Special and differentiate treatment**” will be accorded to market access issues.

Market access process for other non-agricultural products remains the same as in the “Derbez text”.