

**International Conference on Cotton
The Next Steps for Africa
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Ladies and gentlemen:

It is an honor and a privilege to speak to such a distinguished audience. I wish to thank the organizers for this opportunity. Cotton has become a symbol of the inequities between developed and developing countries. A symbol of the strong distortions in international trade.

The WTO Cotton Initiative, lead by Burkina Faso, Mali, Chad and Benin, gave political momentum to this cause. The Brazilian dispute with the US, where I was fortunate to work back in 2002, gave technical consistency helping to expose the inequity.

I wish to further our understanding of the issues relating to the future of agricultural production and I sincerely hope that my contribution will help us all enrich the crucial debate for the development of sustainable agricultural production here in the United States and worldwide.

While I have been invited here today for my work in litigation at the World Trade Organization, let me start by saying that I have always valued negotiation over litigation. However, one should realize how difficult it has been for developing countries to achieve progress in many simple – or theoretically simple – issues. Litigation has hence been used as an instrument of change, as a communication tool for progress, as leverage for the essential transformations still needed.

Sustainability – of agriculture as well as of other sectors – is a clear priority. Our capacity to grow and to develop new technologies exceeds our ability to manage development on a political level. Yet we are past the moment for change: nature is giving us signals that we cannot ignore. Some decisions can no longer be postponed.

The challenge we face today is to develop both public and private policies and practices under a democratic system, and to incorporate the complex concerns of modern society into the agricultural production system. As in any difficult task, we should start with the points of consensus. Let us in parallel debate and construct further consensus, but let us not waste time; we should immediately change what we know is wrong. And we all know that what is popularly called dumping is wrong.

In today's global world, domestic policies have an international reach that we have not yet become accustomed to. Whatever a major country – such as the United States – does domestically influences the world very rapidly on an economic, social, and environmental scale.

Goods have always been transported overseas, bringing change to the societies involved. The crucial difference today is the speed at which the change generated by international trade occurs. Speed is also needed in political decision-making: if we spend decades debating difficult political choices, technological advancement will simply overtake us.

Half a century ago, countries understood the need for a rules-based international trading system and decided to negotiate agreements. Numerous rounds of negotiations eventually produced the WTO, under which agriculture at long last became – at least partially – covered by multilateral trade rules.

It is true that agriculture has particular characteristics that require special attention. It is dependent on nature and has loose, if any, controls in volumes of production. Adjustments between supply and demand are more difficult and costly than in any other sector.

It is also a sector that has experienced enormous increases in productivity, immediately transferring the benefits of technological advancement to consumers. The flip side of this benefit to society is the enormous stress farmers permanently live under to maintain minimum productivity levels, which require heavy investments in human and capital resources.

Agricultural trade rules should never have been left behind in international agreements in the first place. The only reason it took more than half a century to include agriculture in the multilateral trading system was that developed countries preferred to ignore the broader consequences of their domestic policies. They could afford to postpone the political difficulties that adjustments would bring at home.

In the Uruguay Round, developing countries lacked the understanding, focus and unity that would have been required to eliminate the most important distortion of trade: dumping. Allowing continued dumping in the Doha Round would be a mistake that neither developed nor developing countries can allow.

There is no need to compromise: we all know that dumping is incompatible with the principles of sustainability and that it should be eliminated as quickly as possible. This consensus has to produce results.

We need to stop exports below production costs and put an end to the deterioration of international prices through the support of rich countries' budgets and treasuries. We need to end this immoral competition in the international market, a competition which should be made illegal.

Farmers should compete with farmers. Government support should not be admitted in the international market.

We should not limit this ban to the classic definition of export subsidies in the Uruguay Round. Indeed, we all know that subsidies under the so-called "domestic support pillar" of the current round of negotiations may assist exports through covering part of the production costs.

The cotton case made this clear. Why should developed countries' agricultural sectors, which already have much better production capacities, receive government support to compete with developing countries in the international market?

Farmers in developing countries already face severe limitations, such as weak public services, lack of public agricultural research, deficient extension services and public education, limited infrastructure, and a macroeconomic environment that rarely favors agricultural development. Competing against dumping as well is clearly unsustainable.

We will hear later today about many of these issues, all very important. This specific panel is about trade and I will limit my comments to trade.

Eliminating agricultural dumping would not solve all distortions in agricultural trade. It would, however, represent an important step forward. It would create a new economic environment for agricultural markets and give a new direction to the future development of domestic agricultural policies.

Developed countries know that they have to change their agricultural policies. In the US in particular, the debate about the new farm policy is intense. What started out decades ago as a sound policy for production and the well-being of farmers has evolved into a series of distortions. Resources are being wasted: some receive too much for nearly nothing, while the majority does not receive anything.

The United States is not only competing unfairly with developing countries; it is also not preparing itself for sustainable production. It is not my place to say what should be done in the US. We in Brazil also have a lot to change in preparation for our country's future. But domestic policy, here and elsewhere, should not be allowed to export distortions caused by domestic political difficulties.

An important first step would be to clear the international market of the effects of trade-distorting subsidies. The cotton dispute initiated by Brazil was an attempt to address this problem. Litigation, however, will never replace negotiation; it occurs in the absence of negotiation. The cotton case reflects the wrong direction taken by US domestic agricultural policy in recent years.

To this day, reactions to the cotton case in the U.S. remain very political, even after the Appellate Body confirmed Brazil's crystal victory. The clearly illegal export subsidy Step 2 program has finally been eliminated. The rest of the dispute – at least reductions in the marketing loan and countercyclical programs – is still completely undefined. The WTO dispute system will unfortunately again be called to produce a result through Brazil's submission to an implementation panel, happening this week.

U.S. should have already made major changes. I can not understand how the panel results can be ignored in Washington, weakening the credibility of the multilateral trading system. The world's largest economy and trader postpones in every way imaginable concurrence to the Agreement on Agriculture. Countries do not negotiate eight years later not to follow what has been agreed and signed.

Elimination or profound reductions in the marketing loan and counter-cyclical payments should have occurred. These continue to be huge. Marketing loan payments were far larger in the past two years, 2004 and 2005, than they were in 2002 when the original panel made their decision. What is the U.S. waiting for?

U.S. cotton production and exports have expanded significantly. Subsidized U.S. acreage has increased or stayed at very high levels. Prices have stayed stubbornly low. Brazil share and that of African countries of world market exports has declined while the U.S. has maintained the extremely high level of 40 percent of the international market.

Marketing loan and counter-cyclical payments, plus crop insurance and direct payments, are still very high and continue to cause serious prejudice, the heart of the original WTO case. Step 2 illegal payments elimination has the effect of actually increasing counter-cyclical payments, absolutely not solving the issue by itself.

The American tax payer, the U.S. Congress and the Administration should get the message. The new implementation panel will produce results in parallel with the debate in Congress for the new Farm Bill. Let us hope this can be heard and understood by the American citizen.

The cotton program should be changed, and not only because the U.S. lost a dispute, and will lose others under agreed negotiated rules. The change should be unilateral. There is absolutely no sense in spending billions of dollars on a few fortunate and very organized producers, for a program that has nothing to do with safety nets for farmers or with the sustainability of the global environment.

The elimination of cotton – and indeed all agricultural dumping – should have become a U.S. proposal. This country has the obligation to lead the way in putting an end to what everyone agrees is wrong. The U.S. should not dump. Why then not lead the elimination of dumping on a global scale?

But we cannot lose hope. Our participation, our creativity and our good will in understanding each other's points of view are essential for the changes that will be necessary to achieve an agreement on agricultural trade that can lead the world to a sustainable production system.

The export-oriented farm subsidy legislation of recent years is far from producing a sound U.S. policy. It is a race to the bottom of the international market that Brazil has faced with relative success. However, the economic pressures farmers confront only make sustainability more difficult, for us and others worldwide.

Eliminating dumping does not challenge the development of sound domestic policies. Safety nets for farmers should be developed. Environmental and consumer issues should be considered. But let us not export political difficulties abroad.

This simple rule would be strongly supported by NGOs, urban society, academia, media, and some rural segments of developed countries, as well as, of course, by all developing countries that cannot afford to subsidize their own exporters. We can obtain a very considerable majority.

Change is never easy but we should be working in favor of better and sounder principles, trying not to limit the scope and creativity of domestic policy legislators. They could look at one major simple rule: no dumping; no exports with the help of subsidies, be they amber, blue, supposedly green or de minimis. No exports below production costs. No more disputes on this issue.

The real challenge – the development of a worldwide sustainable modern agricultural production system – should unite us all.

Thank you.