

Cotton in the Doha Round: A Congressional Perspective
John Gilliland - October 26, 2005

Thank you, Professor Katz - and thanks also to CSIS - for asking me to say a few words. I am grateful to have the opportunity to listen to the comments and insights of Carol and Neal, as well. Originally, Rep. Devin Nunes was scheduled to appear, but he has been unavoidably detained. I will do my best to serve as a partial replacement speaker. As a former congressional staffer, I'll offer a few of my own thoughts on how members of Congress view the Doha Round negotiations and its treatment of the U.S. cotton industry, as well as the recent WTO challenge successfully brought by Brazil.

In short, I'll offer three basic points:

- (1) For the most part, Congress sees agriculture in fairly monolithic terms;
- (2) Different members of Congress want different things out of the Doha Round; and
- (3) Congress sees the U.S. cotton industry as supportive of trade agreements, or more so, than any other commodity.

I'll close with an observation about the reaction to the Brazil challenge.

Congress views agriculture in fairly monolithic terms.

This is true both in a general sense when looking at the Farm Bill and also when looking at the Doha negotiations, as a whole. In part, this is a reflection of the common structure of major commodity programs. It's also a reflection of the preliminary nature of the current, framework stage of the Doha negotiations. So far, the focus has been on the basic parameters of the three pillars, treatment of which will affect the major commodities in similar ways.

Different Members want different things out of the Doha Round.

Of course, this is a generalization. Beneath the day-to-day surface, members of Congress each want different things out of the Doha Round, and these differences will ultimately affect how they judge the outcome of the agriculture negotiations.

Within the agriculture community, there are some members of Congress who hope for a very ambitious round. These members have greater confidence in the Doha Round to improve the relative strengths of the U.S. agriculture sector. Another group believes the potential downside from a complete Doha Round is far greater than the potential upside. Many of these members are likely to vote against an implementation package.

There is of course a third group, outside of the agriculture community. This group of members is less focused on agriculture, perhaps seeing U.S. farm policy as primarily a burden on overall U.S. negotiating goals. Some of these members privately wouldn't mind seeing all or most agriculture subsidies phased out, anyway. At the same time, a few may recognize some strategic value in using U.S. agriculture subsidies in the Doha Round as a chip to leverage concessions in

NAMA, services or other areas - or even to strengthen labor and environmental priorities. Regardless, these members certainly don't see the preservation of the current farm policy as a top legislative priority

Still, looking across each of these three basic groups, there doesn't appear to be much support for singling out cotton for "early harvest" in the Doha Round, at least not in the manner proposed by other countries.

I think many in Congress from rural districts - even those who don't have much cotton production - are wary about the pressure to single out cotton. While they seem to grasp how sectoral negotiations can be useful, they also accept the argument that sectoral talks should embrace an entire sector. In the case of cotton, this would mean capturing the entire production chain from seed to textile. Given the rather dramatic decline of the U.S. textile manufacturing industry in some regions, the argument of including textiles in sectoral negotiations on cotton resonates with a lot of Members

And remember, aside from Step 2, there's nothing unique about the cotton program. One could just as easily see pressure from some quarter to single out a feed grain but focus only on major subsidizers or to single out sugar but focus only on the U.S. and EU tariff barriers. If you're from a state or district that has a heavy agriculture presence, you see cotton as simply a standard bearer for U.S. agriculture, at large. Attacks on cotton could lead to attacks on other commodities.

Of course, views about the Doha Round are inextricably linked to the Farm Bill. In Congress, farm policy stokes regional - as much or more than partisan - tensions. These tensions are sparked by a range of issues, from the balance between direct payments and marketing loan rates to the debates over payment limitations.

But Congress generally understands that the cotton industry supports global agriculture reform.

Many in Congress will tell you that their agriculture constituents are losing faith in the WTO and in trade agreements, generally. They'll recite prevalent opinions that the playing field is tilted against them and that the Doha Round will make things worse. They'll use phrases such as "trade fatigue." And this is indeed what I hear myself whenever I talk to producers I happen know in different parts of the country.

It is interesting then that the cotton industry, which is arguably under more virulent attack on the global stage than any other U.S. commodity, appears to remain steadfastly in support of the Doha Round negotiations. The Members of Congress that support the industry are hanging in there, too. Unlike some other U.S. policies that have been successfully challenged in the WTO, the Step 2 program is on the block for repeal with the support, however reluctant, of its relevant members of Congress. This is not a minor observation.

One might say that the Byrd Amendment or other U.S. laws are far more important in strict dollar terms and thus much more politically difficult simply to repeal. However, the Three Step

Competitiveness Program is very important to the cotton industry. For an industry that comprises several distinct sub-sectors with often diverging interests, I'm sure it was no easy task simply to accept basic repeal of a part of its program that was fought for and earned in farm bill battles. But they have accepted a proposal for straight repeal, and so have those legislators that represent them. This should be acknowledged and it should accrue to the benefit of the cotton industry at some point down the road.

The cotton industry is seen as remaining steadfast in its support of the Doha Round and of freer trade. As such, they are recognized by many as a positive influence, as a part of the solution, not as a part of the problem. I think most legislators from cotton-producing areas are going to respond to this in a consistent fashion. There are some who will oppose trade agreements when presented to Congress, but it won't be because the U.S. cotton industry asked them to do so.

In the future, WTO challenges to domestic farm programs must be restricted to commitments made under the Agreement on Agriculture.

Brazil's challenge to the U.S. cotton industry was surprising to Hill observers in a couple of ways. First, there was a general expectation that we'd see no litigation until after the peace clause had expired. Second, there was some muted amazement that the dispute panel and appellate body reached beyond the Agreement on Agriculture into the Subsidies Agreement in order to analyze and rule against the U.S. cotton program. The reaction has been somewhat bitter, perhaps most of all from those who had voted in favor of the Uruguay Round implementing legislation and who continue to support the U.S. membership in the WTO. In general, these members and their staff will tell you that this wasn't what they thought they had agreed to accept. To prevent similar legal maneuverings in the future, many people are now insisting that a final Doha Round agreement must include some provision limiting the scope of dispute panel review of agriculture policies only to the specific commitments contained within the agriculture agreement.

Otherwise, the rising discontent among agriculture producers for the WTO will only intensify and attract members of Congress who have so far remained in support of it.