United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
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September 8, 2003

The Honorable Robert B. Zoellick
United States Trade Representative
Executive Office of the President
Washington, DC 20508

Dear Honorable Zoellick:

As the World Trade Organization's 5th Ministerial in Cancun, Mexico, begins this week, we acknowledge the tremendous effort put forth by the agricultural negotiators to date. The periodic updates to our staff from the negotiators are appreciated.

The joint framework paper drafted by the United States and European Commission was necessary for stimulating the negotiations. Further, we were very encouraged to see that the General Council's draft Ministerial text incorporated many of the key concepts developed in the US-EC framework paper and we are confident that it will provide much needed focus to the negotiations in Mexico.

However, we are concerned with the proposed sectoral initiative on cotton, introduced by Burkina Faso, Benin, Chad and Mali. Paragraph 25 of the draft Ministerial text leaves a placeholder for further negotiations and possible agreement on this initiative. While not incorporated in the Ministerial text, the proposal put forth by these four countries calls for complete elimination of global cotton subsidies within three years as well as transitional compensation.

We are sensitive to the economic difficulties of these countries but the sharp decline in cotton prices since the mid 1990s is not due to the U.S. cotton program. One widely reported analysis asserts that the U.S. has increased cotton production in the face of the price slump. This is not the case. According to July 2003 U.S. Department of Agriculture data, U.S. cotton production averaged 18.8 million bales (4.1 million metric tons) over the 1994-1996 period but only 18.2 million bales (4.0 million metric tons) over the more recent 2000-2002 period, a decline of 3.2 percent. Over the same two periods, the U.S. share of world cotton production fell from 21.0 percent to 19.9 percent. The same widely reported analysis attempts to quantify the effects of the U.S. cotton program on the African cotton producing region. This analysis asserts that the U.S. cotton program has cost African cotton producers $300 million from depressed world cotton prices and displaced sales. If one accepts this premise, and we do not, based on the collective GDP of just Burkina Faso, Benin, Chad and Mali, eliminating U.S. cotton subsidies would increase their GDP by less than one percent. In reality, ending the U.S. cotton program would only harm U.S. producers. It would have no long-lasting positive effect on the four countries seeking assistance.

The current round of multilateral trade negotiations offers the world the opportunity to increase market access and further discipline trade distorting domestic support and export subsidies. However, a sectoral initiative focusing specifically on the U.S. cotton program is counterproductive to U.S. cotton's interest and distracts from multilateral reform of agricultural trade. Rather, we welcome a constructive discussion focusing on all causes of distortions in the world textile and fiber market.

An identical letter has been sent to Secretary Ann Veneman.

Sincerely,

THAD COCHRAN
United States Senator

BLANCHE LINCOLN
United States Senator

SAXBY CHAMBLISS
United States Senator