

Regional Cotton and Textile Executive Summit

International Trade Initiatives Developments and Challenges



Harvey Rouse

**Head of Trade, Private Sector & Governance Section
European Union**

Delegation of the European Commission to the Republic of Kenya

EU POLICY: COTTON

- EU is not a big player – about 2% of world production
 - No significant impact on global price trends
 - No export support
 - Net importer of cotton – duty free access for ACP
 - Compare with US – Second biggest producer and largest exporter (over 25% of world exports)
- Importance to many African countries
 - 15 million people depend directly or indirectly
 - 30-40% of export earnings in Benin, Burkina Faso, Chad and Mali
 - All Africa represent: 10-15% of world exports

EC Policy on Cotton

3 Pillars of the Agricultural Negotiation

1. Elimination of all forms of export subsidies
2. The provision of duty and quota-free imports in developed and advanced developing countries
3. Substantial reduction of trade-distorting domestic support

■ EU TRADE COMMISSIONER – PETER MANDELSON

“You have my assurance that I will stand with the cotton producers in developing countries to deliver a result on cotton within the WTO negotiations on the basis of the Framework Agreement”.

- Least Developed Countries – Everything But Arms – 2001
- Kenya – Cotonou – 2000
- 2008 Economic Partnership Agreement

Textiles and Clothing European Union – Key Player

- World exports of textiles and clothing – represent about 6% of total exports
- EU:
 - 15% share of textile product exports
 - 11% share of textiles and clothing exports
 - 2nd biggest importer 20% (USA- 22%)

EU – An open market

- Cotonou Agreement – Kenya & other ACP countries – export textiles and clothing to the EU free of duties and quotas
- Most from Indian Ocean area
 - 60% of total from Mauritius
 - 25% of total from Madagascar

Rules of origin – Key to Sustainable Development

- Current:
 - “Double transformation”
 - Fabric from EU or ACP

- Future:
 - Simplified system
 - Value-Added Criteria
 - Tailored system for each country
 - Wide Consultation

Challenges Ahead

- End of Multi-Fibre Agreement – 1/1/05
 - Ensure a smooth transition to a post-quota world
 - Ensure that Kenya & other developing countries take fuller advantage of EU preferences

CHINA

- April 6 Guidelines published on Textiles: Specific Safeguard Clause in China's Protocol of Accession to the WTO in 2001 – set "Alert Levels"
- April 24 – launch investigations into 9 categories of Chinese textiles to EU
- Import increases range from 51% to 534%

Textile Specific Safeguard Clause - China

WTO Rules:

- Suffered “market disruption”
- Limit textile imports until 2008

Key steps

- Investigations – maximum 60 days
- Launch formal consultations with Chinese – 90 days
- Quantitative Export Restrictions – maintain at level of first 12 of 14 months prior to launch of investigations + 7.5% (6% wool products)
- After 15 days no action by Chinese – Commission can take action
- If no remedy – EU Safeguard measures

FUTURE – EU Policy in a Nutshell

- Cotton:
 - EU not a major player
 - Push fair trade and more aid

- Textiles and Clothing
 - Smooth transition post MFA
 - Guard against damage to vulnerable developing countries
 - Assess and implement support needs
 - Eliminate all Non-Tariff Barriers
 - Simplify preferential rules: pro-development
 - Regional Integration – Key for Future Competitivity: Economic Partnership Agreements