



Facts on Global Reform

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The United States Has Acted to Help Africa on Cotton

The United States appreciates the vital role that cotton farming plays in the economies and societies of nations such as Benin, Burkina Faso, Chad, Mali, and Senegal (“the five countries”) – and seeks to assist these nations in taking advantage of market opportunities offered by the world economy. That is why – consistent with its commitment under the July 2004 Framework to address cotton “specifically, ambitiously, and expeditiously in the agriculture negotiations” – the U.S. has moved to eliminate trade-distorting subsidies, has proposed several more forward-leaning actions, and has provided an array of development aid to the five countries.

Actions on Trade

The U.S. has taken several specific actions on cotton and has proposed still others:

- Elimination of the “Step-2” program. The U.S. has moved to eliminate the entire Step-2 program by mid-2006. Payments to U.S. cotton producers under this program amounted to \$380 million in 2004 and will likely be about \$500 million in 2005.
- Reform of the export credit guarantee program. The U.S. has already changed important elements of its export credit guarantee program – including as that program relates to cotton – to make fees “risk based.”
- African Growth and Opportunity Act (AGOA). Under AGOA, dozens of African nations can export most of their agricultural products to the U.S. duty-free.
- Ambitious, accelerated ag proposal. The proposal unveiled by the United States in October 2005 includes several components that affect cotton:
 - Export subsidies. The U.S. has offered to end all export subsidies and implement new disciplines on export credit programs by 2010, including those offered for cotton.
 - Tariff reduction. The proposal would make deep cuts in tariffs imposed on cotton imports from developing nations such as the five countries. The U.S. proposal would reduce by 55 to 90 percent tariffs, including for cotton, imposed by all developed nations (with slightly lesser cuts for developing nations) and would phase out all tariffs after a second phase of reform.
 - Domestic subsidies. The U.S. proposal would substantially reduce domestic subsidies in two stages. In the first stage, the U.S. would reduce the most trade-distorting policies under the aggregate measurement of support by 60 percent. Other payments would also be reduced. In the second stage, following a five-year review period, the U.S. proposal would eliminate all trade-distorting domestic support over the next five years.

Actions on Development

The U.S. has matched these initiatives with an equally strong commitment to aid the cotton-producing nations of West Africa. U.S. support to these nations includes: Africa-wide assistance benefiting the five countries; West African regional assistance; and country-specific assistance.

Africa-wide assistance –

- Under the **African Global Competitiveness Initiative**, the U.S. will devote \$200 million over five years to helping West Africa – through a newly-established trade hub in Senegal – and other countries diversify trade and remove key barriers to expanding growth, thus benefiting a range of sectors, including the cotton sector.
- The U.S., through the G7, recently committed to work with the international community to reach \$4 billion in aid-for-trade spending. Further, the U.S. has pledged to double aid to Africa by 2010 under a G8 commitment. In addition, the U.S. helped facilitate a total debt relief package of \$3.395 billion for the five countries.
- The U.S. committed in September to provide \$200 million in FY06, as the beginning of a five-year effort at similar levels. The funds will support Africa's leaders to implement their **Comprehensive Africa Agriculture Development Program**.

Assistance to West Africa –

- The newly-announced **West Africa Cotton Improvement Program** will provide an initial \$7 million to improve production, transformation, and marketing of cotton in the five countries.
- The U.S. has provided **\$9.5 million in support this year** to ECOWAS, the Economic Community of West African States.
- Additional U.S. assistance ranges from sponsorship of science & technology conferences and establishment of cotton education programs, to funding a railway infrastructure study and placement of U.S. agricultural experts in Dakar and Accra to facilitate agricultural exports.

Country-Specific Assistance –

- Under the **Millennium Challenge Program**, the U.S. is working with Benin, Burkina Faso, Mali, and Senegal on proposals that will be worth hundreds of millions of dollars in aid. Benin's proposal alone totals \$308 million. The MCC separately provided Burkina Faso \$12.9 million for its MCC Threshold Program.
- The U.S. has separately directed substantial resources at these nations through a variety of other programs: giving Benin \$20.5 million; Burkina Faso with \$16.4 million; Chad with \$18.5 million; Mali with \$38.6 million; and Senegal with \$32 million.