

ACP-EU JOINT PARLIAMENTARY ASSEMBLY

ACP-EU 3668/04/fin.

RESOLUTION¹

on cotton and other commodities: problems encountered by ACP States

The ACP-EU Joint Parliamentary Assembly,

- meeting in Addis Ababa (Ethiopia) from 16 to 19 February 2004,
 - having regard to the previous ACP-EU resolution on trade adopted in Cape Town in 2001,
 - having regard to the objectives of the ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000 in the area of trade and poverty alleviation, and having regard to the forthcoming mid-term review of the financing of the Cotonou Agreement in 2004,
 - having regard to the Doha Ministerial Declaration and the agreement to place the needs and interests of developing countries at the heart of the Work Programme,
 - having regard to the ongoing EPA negotiations and the forthcoming UN Conference on Trade and Development (UNCTAD) to be held in Brazil in June 2004,
 - having regard to the European Commission's Action Plan on Commodities and its announcement on the Plan of 12 February 2004,
- A. whereas the collapse of commodity prices is one of the important causes of world poverty today, and whereas trade in commodities in Africa accounts for 75% of all export income,
- B. affirming the significance of commodities, in particular cotton, sugar, rice, bananas, coffee, cocoa and tea for the economies of ACP States; recognising the need to address urgently the serious problem of commodity dependence and sharp downward fluctuations in the prices of commodities of export interest to ACP States,
- C. whereas the EU and the ACP Group, which make up a substantial proportion of the members of the World Trade Organisation (WTO), may have an important role to play in changing the rules of the WTO to make them fairer and ensure that they respect more fully the ACP States' right to development,
- D. whereas the negotiations on EPAs should be an opportunity to establish a general framework for transforming the economic structures of the ACP States, and whereas the new trade agreements' impact on the development of the ACP States should be central to these negotiations,

¹ Adopted by the ACP-EU Joint Parliamentary Assembly on 19 February 2004 in Addis Ababa (Ethiopia).

- E. having regard to the differences of opinion between the industrialised countries and the majority of the ACP States at the Cancún trade negotiations, and in particular the lack of a solution in respect of the West African cotton-producing countries' calls for fair prices,
- F. whereas Article 36(4) of the Cotonou Agreement provides for the review of the Commodity Protocols with a view to safeguarding the benefits which the ACP States derive therefrom,
- G. whereas the Doha Development round must be pushed forward after the collapse of the WTO ministerial meeting in Cancún,
- H. whereas developing countries should be helped to break away from over-reliance on the export of raw agricultural commodities, with current low world prices, which holds back development in many developing countries, particularly affecting the incomes of the rural poor,
- I. whereas the cotton industry occupies a very important strategic position in the efforts to combat poverty,
- J. whereas cotton makes a significant contribution to the pursuit of food security since the financing generated by cotton has turned cotton-producing areas into the leading production areas for dry cereals,
- K. whereas the cotton sector is strategically important for combating poverty in Mali, Burkina Faso, Benin and Chad, and whereas the subsidy amounts paid to cotton producers for the 2001/2002 harvest year totalled:
 - USD 800 million for Europe
 - USD 4.1 billion for the United States, the world's leading cotton producer and exporter
 - USD 1.2 billion for China,
- L. whereas the exorbitant subsidies, including export subsidies, which the US, China and the EU grant to their cotton farmers have encouraged overproduction and led to depreciation of world market prices for cotton, with disastrous consequences including substantial loss of income for the cotton-producers in the least developed countries,
- M. whereas the collapse in coffee prices resulted in a widespread crisis for 25 million coffee farmers in over 50 developing countries where coffee is a crucial source of rural employment and foreign exchange earnings,
- N. whereas the collapse in commodity prices has caused a general worsening in working and living conditions, especially for women who make up the majority of coffee and tea pickers, and who are involved in the production of all commodities; and whereas there are reports of the use of child labour and exploitative labour conditions in coffee plantations,
- O. whereas the reduction of the intervention price for rice by 50% and the increasing of direct aid to European rice farmers could drastically affect ACP rice exports, resulting in economic, political and social instability in the rice-supplying ACP States,
- P. whereas EU banana imports from the ACP are governed by import licensing arrangements which disproportionately penalise ACP suppliers, and whereas ACP interests have not been satisfactorily accommodated in the reform of the EU banana regime,

- Q. whereas the EU is bound by the Cotonou Agreement, especially Protocol V Article 1 thereto, to take measures to ensure the viability of the ACP banana exporting enterprises as well as the maintenance of outlets for ACP bananas on the Community market,
- R. whereas the Common Organisation for Sugar (CMO Sugar), which incorporates specific provisions granting some ACP States preferential access to the European market and improving the LDCs' export potential to the EU, thereby facilitating development of important LDC industries, is due for review; and whereas, in respect of the CMO Sugar, the Commission has proposed three options while leaving aside the fourth option on the 'Fixed Quota System' preferred by the ACP, the LDCs and a number of European stakeholders,
- S. considering that the ACP sugar-supplying States, which are either least-developed, developing, net-food importing, vulnerable, landlocked or small island states and single-commodity producers/exporters with specific economic and social difficulties, depend on predictable and stable earnings from sugar exports and preferential access to the EU,
- T. whereas the kava-producing ACP States are faced with specific economic and social difficulties and needs, and rely, inter alia, on kava export earnings for their sustainable socio-economic development,

On trade in commodities

1. Emphasises that the ACP Group constitutes one of the major poles of developing countries and consequently merits the support of the EU, which occupies a strategic position in the negotiating process in that it can encourage the developed countries to accede to the legitimate demands of the developing countries;
2. Welcomes the Commission's announcement of 12 February 2004 that it has taken a number of initiatives to help developing countries enhance their export performance and reduce their vulnerability to price fluctuation of major international commodities, particularly cotton and coffee;
3. Welcomes the Commission's proposal to expand and simplify the use of the FLEX instrument to compensate for export earning losses, and notes that had the proposed criteria for the instrument been applied to 51 cases from 2000-2002, ACP States would have received EUR 255 million through the FLEX system, a six-fold increase in the use of the system;
4. Regrets that most developing countries have not benefited from added value either through processing basic commodities or from diversification to high-value cash crops; calls on the Commission to promote the development of agro-industry in these countries and to encourage economic diversification and product processing of cotton, sugar and other commodities;
5. Urges that the WTO agriculture negotiations be resumed urgently and that they address export subsidies and domestic support issues in accordance with the Doha WTO Ministerial Declaration, while preserving existing preferential arrangements;
6. Calls for the WTO's rules to be reviewed to consider the concerns of the ACP States and their desire to avoid a collapse of the commodities sector;

7. Calls on the Commission to stand by the principles enunciated in its initial draft recommendation to the Council and to recommend granting duty-free access to its markets for all agricultural products from ACP States in the EPA negotiations;
8. Calls on the European Commission and the ACP States to propose, in the context of the ACP-EU trade negotiations, an appropriate regulation for trade to further the objectives of sustainable development, eradicate poverty and enable ACP States to forego external aid;
9. Calls on the EPA negotiations to back regional initiatives in support of commodity development such as regional networks of farmers' organisations, quality enhancing services, investment promotion and commodity branch organisations;

On cotton

10. Calls for a lasting solution to the problems experienced by West, East and Central African countries and other cotton-producing members of the ACP Group, and seeks to obtain the elimination of all forms of export subsidies in this sector, as well as the elimination of other trade-distorting domestic subsidies, concomitantly with fair and equitable compensation for the LDC cotton producers commensurate with their loss of resources, on the basis of a precise timetable;
11. Reaffirms the strategic nature of cotton for development and for combating poverty in many countries and above all in the LDCs;
12. Highlights that ACP States can be extremely effective when working together on commodities issues, exemplified by the launching by four West African countries (Benin, Burkina Faso, Mali and Chad) of the 'cotton initiative' ahead of the WTO Ministerial Conference in Cancún (10-14 September 2003), in which they call for the phasing-out of domestic support for cotton production and for 'transitional measures in the form of financial compensation for cotton-producing LDCs to offset their loss of revenue', and the so-called 'Non-Paper' initiative by Kenya, Uganda and Tanzania presented to the WTO 5th Ministerial Conference;

On coffee

13. Calls for development partners and ACP governments to invest in value-addition processing of commodities such as coffee to help the recovery from the sector's declining profitability, and welcomes the strategy of the Kenyan government launched on 4 February 2004 aimed at doing this;

On rice

14. Calls on the EC to implement fully all the necessary adjustments to the currently applied management of the quota system and to consider remedial and compensatory measures to the ACP rice sector and the removal of quotas and tariffs to alleviate the negative impacts on ACP rice exporters;

On bananas

15. Calls on the European Commission to consult in advance with the ACP States on proposals for changes to the autonomous quota consequent on EU enlargement, and to ensure that any measures taken do not undermine the stability of the EU market or further threaten the viability of ACP banana exports;
16. Calls on the EU to introduce immediate measures to halt and reverse the continued deterioration of prices and to preserve access to the European market for ACP bananas at a remunerative price, while ensuring that any increase in the quota for bananas resulting from EU enlargement does not cause disturbance on the EU market for bananas that would further threaten the viability of ACP banana producers;
17. Stresses that the tariff for bananas as from 2006 must be at a level which will ensure the continued viability of the ACP banana industry;

On sugar

18. Acknowledges that countries benefiting from the Sugar Protocol under the Cotonou Agreement, the special preferential sugar arrangement and the 'Everything But Arms' initiative could suffer from important income losses caused by price reductions, and calls on the Commission to help attain adequate prices for imports from developing countries, in particular from the LDCs;
19. Calls on the European Commission to guarantee adequate earnings for ACP sugar exporters when formulating the policy options of the EU sugar regime;
20. Calls on the European Commission, in conjunction with the ACP Group of States, to take all the necessary measures to defend ACP sugar imports into the EU and the terms and conditions of ACP preferential access against challenges brought by Australia, Brazil and Thailand;
21. Calls on the concerned EU Member States urgently to review, on the basis of scientific evidence, the ban and restriction on, and market recalls of, kava and kava-based products in the EU Member States;

On social responsibility

22. Calls on the Commission and ACP States to provide programmes for the workers that have suffered as a result of the global collapse in commodity prices, through retraining and financial support, taking into account the particular needs of women who make up such a high proportion of the workforce in many commodities production processes;
23. Welcomes the pledge in the Commission's Action Plan to engage international commodities companies in the promotion of corporate social responsibility and sustainable codes of conduct, and calls on the EU and its Member States to make the promotion of fair trade products a priority;
24. Instructs its Co-Presidents to forward this resolution for implementation and appropriate follow-up to the ACP-EU Council, the European Commission, the EU Council, the African

Union, the General Council of the WTO, the governments of the ACP and EU States and the governments of the accession countries joining the EU on 1 May 2004.