



Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

ED 1893/03

4 September 2003
Original: English

E

**ICO submission to the
5th WTO Ministerial Conference**

The Executive Director presents his compliments and, for the information of Members, attaches a copy of his submission to the 5th Ministerial Conference of the World Trade Organization (WTO). The Conference will be held in Cancún, Mexico from 10 to 14 September 2003 and will take stock of progress in negotiations and other work under the Doha Development Agenda.



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

London, 2 September 2003

DEVELOPING COUNTRIES AND THE COFFEE CRISIS

*By Ambassador Néstor Osorio, Executive Director, International Coffee Organization (ICO)
Submission to the 5th Ministerial Conference of the World Trade Organization (WTO), Cancún, Mexico*

The Coffee Crisis

1. Poverty reduction and improved trade conditions for developing countries are fundamental development priorities for multilateral institutions. This has been particularly emphasised through the adoption of Millennium Development Goals by the United Nations.
2. Coffee is one of the key traded commodities for developing countries. Because it can only be grown in frost-free areas coffee production is particularly crucial to non-arid countries in the tropics and is a vital source of foreign exchange, cash income and employment in such countries, many of which are classed as Least Developed (LDCs). In the late 1980s earnings by coffee producing countries (exports f.o.b) were some US\$10-12 billion. Today coffee producing countries only receive around US\$5 billion. Prices on world markets, which averaged around 120 US cents/lb in the 1980s, are now just over 50 cents, the lowest in real terms for 100 years. At such levels coffee farmers face immense problems, which are giving rise to a series of negative economic, social and environmental consequences, including increased poverty.
3. The coffee price situation arises from an imbalance between supply and demand. Despite the low prices, production levels remain unchanged, largely because there are very few other viable alternatives, a situation which perpetuates dependence on coffee and a small number of other commodities. Lifting trade barriers and securing market access for a wider range of agricultural and industrial goods originating in developing countries are key factors for the improvement of trade conditions for commodity-dependent countries.

How the WTO could help

4. The International Coffee Organization (ICO) is an intergovernmental organization whose Members include 45 exporting (of which 25 are LDCs) and 19 importing countries. One of the main objectives of the ICO is to encourage Members to develop a sustainable world coffee economy.

5. The ICO appreciates the recognition in paragraph 26 of the Cancún draft Ministerial Declaration by members of the WTO of the problems created by long-term declines and sharp fluctuations in the prices of commodities such as coffee. I note too the instructions to the Committee on Trade and Development to continue working on this issue in cooperation with other relevant international organizations. In this context the ICO places itself at the disposal of the Committee to render every assistance possible in working for constructive solutions.

6. I also appreciate the emphasis given to the issue of continued dependency of many developing countries on a few commodities such as coffee. This is a particularly serious problem for LDCs, some of which are heavily dependent on coffee.

7. In pursuing endeavours to develop a more level playing field for commodity-dependent developing countries within the WTO framework I should like to appeal particularly to the Ministers to work towards:

- (a) continuing to eliminate tariff barriers for commodities;
- (b) reducing tariff and non-tariff barriers for other products that can be produced in commodity-dependent developing countries in order to reduce dependency through diversification;
- (c) taking into account commodity problems in optimising special and differential treatment for commodity-dependent developing countries; and
- (d) enhancing institutional cooperation between international commodity organizations and the WTO.