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**Committee on Agriculture
Special Session
Sub-Committee on Cotton**

**FOURTH DEDICATED DISCUSSION OF THE RELEVANT
TRADE-RELATED DEVELOPMENTS FOR COTTON**

26 NOVEMBER 2015

Report¹ by the Chairman, H.E. Mr Vangelis Vitalis

1. Pursuant to the Bali Ministerial Decision on cotton of 7 December 2013 (document WT/MIN(13)/41 – WT/L/916), the fourth dedicated discussion of the relevant trade-related developments for cotton took place on 26 November 2015, in the context of the Committee on Agriculture in Special Session. The dedicated discussion was held back-to-back with the 24th round of the Director-General's consultative framework mechanism on the development aspects of cotton.

2. In my **introductory remarks**, I provided an update on the state of play in the agriculture negotiations. I noted my deep concern about the lack of convergence thus far on any of the issues we had been working on, with perhaps the exception of cotton. I proposed to provide, at the end of the meeting, an opportunity for Members to exchange views on the state of play in the cotton negotiations, and more specifically on what could be envisaged as a possible outcome for cotton at the Nairobi Ministerial Conference.

3. I noted that the dedicated discussions on cotton stemmed from the Bali Ministerial Decision and represented Members' commitment to enhance transparency and monitoring in relation to the trade-related aspects of cotton. The process provided a unique opportunity to get the facts right about Members' cotton trade-related policies from a WTO perspective and to have a constructive exchange around those facts and relevant related developments.

4. Given that the dedicated discussion was scheduled shortly before the Nairobi Ministerial Conference, I expressed the hope that the process would once again be productive as well as again usefully inform our ongoing negotiations on cotton.

5. Under the agenda item "**General Statements from Members**", Mali, on behalf of the Cotton-4 (C-4), reaffirmed the political message by the C-4 Ministers at the 5th Global Review of Aid for Trade and at the African Union trade Ministers meeting in Brussels to address cotton "ambitiously, expeditiously and specifically", in line with the Hong Kong Ministerial Declaration and the Bali Decision. The C-4 noted its readiness to contribute to the resolution of the issue and called for the effective engagement of all Members. Finally, the C-4 referred to its recent submission² of a draft ministerial decision on cotton and stated its hope that the intensive work being carried out by Members would lead to concrete results on cotton in Nairobi.

6. Several Members supported the statement made by Mali on behalf of the C-4 and committed to engage, as per my request, "actively, constructively and respectfully" in achieving a solution for cotton in Nairobi.

¹ This report is circulated under the Chair's own responsibility.

² Document TN/AG/GEN/38 – TN/AG/SCC/GEN/14 dated 12 October 2015, and document TN/AG/GEN/38/Add.1 – TN/AG/SCC/GEN/14/Add.1 dated 18 November 2015.

7. The **International Cotton Advisory Committee (ICAC)** made once again a detailed presentation³ on the latest developments in the global cotton market and trade trends, recent developments relating to government measures in favour of cotton, as well as on the export potential of African cotton producers. Further to a request by the C-4 at the third dedicated discussion, ICAC's presentation also included comparative data series on cotton production and yields between 2003, the year the Sectoral Initiative was introduced, and 2015.

8. ICAC's presentation was once again welcomed by Members and prompted a very useful exchange. The C-4 suggested that other institutions in addition to ICAC be also invited to provide any relevant data series they had on cotton production, productivity and trade since the introduction of the Sectoral Initiative in 2003.

9. The fourth dedicated discussion was informed by a **revised background paper by the Secretariat** (TN/AG/GEN/34/Rev.3 – TN/AG/SCC/GEN/13/Rev.3) which compiled factual information and data from Members' notifications and other submissions to the WTO on export subsidies, domestic support and market access, including both tariff and non-tariff measures. The paper also included Members' responses to the questionnaires on cotton policy developments circulated on 4 February and 17 September 2015 as well as relevant information on cotton markets and policies from Trade Policy Review reports.

10. Further to C-4 and other Members' requests at the third dedicated discussion, the revised background paper also included: (i) a summary table in the Domestic Support section showing, for Members listed in section 2.1 and for the most recent year available, the level of product-specific AMS for cotton, expressed in the notified currency as well as in a single currency to allow for comparison, together with the current Total AMS and the value of production for cotton; and (ii) calculations of TRQ fill rates under the section "TRQ quantities and in-quota imports".

11. As had been done by my predecessor in previous meetings, I stressed that the quality of the information contained in the Secretariat background paper and the success of the process of collecting information on relevant policy developments were fully dependent on the quality and timeliness of Members' notifications and submissions to the WTO. I strongly encouraged all Members, and in particular key cotton actors, to reply to the Secretariat's questionnaire and to submit timely notifications, especially when some of their measures specifically related to cotton.

12. While Members welcomed the revised background paper, several echoed my call and reiterated their concerns regarding the lack of updated data on policy measures in the revised paper, particularly from some major cotton producing and trading Members. Members were called upon to provide and/or improve their replies to the questionnaire and to bring their notifications up-to-date to allow for a more comprehensive discussion, in particular in relation to domestic support.

13. Various Members, as well as the Secretariat, intervened to provide clarifications and answer queries raised in relation to data presented in the background paper, in particular in the area of market access. The C-4 reiterated its call for Members to provide disaggregated information on applied and preferential duties as well as on tariff rate quota levels for cotton imports for each LDC. In light of the limited amount of new data available, particularly from notifications, one Member wondered whether there was a need to change the frequency of the dedicated discussions.

14. During the **discussion of trade-related developments for cotton across the three pillars**, the United States provided an update on its announcement made at the third dedicated discussion regarding the December 2011 initiative to provide duty and quota-free access for cotton products from LDCs under the US Generalized System of Preferences (GSP) scheme. The United States noted that they had fulfilled part of that commitment in June 2012 by designating seven cotton products for duty and quota-free treatment for LDCs under the US GSP programme effective 1 July 2012.

15. With the 29 June 2015 Trade Preferences Extension Act extending the US GSP scheme to 31 December 2017, duties had been eliminated for five additional out of quota cotton tariff lines

³ https://www.wto.org/english/news_e/news15_e/cdac_26dec15_e.pdf on the following webpage
https://www.wto.org/english/news_e/news15_e/cdac_26dec15_e.htm.

for LDCs on 30 September 2015, hence fully implementing the US December 2011 initiative. Several Members welcomed the announcement, and the C-4 urged Members to provide DFQF access for all cotton products originating from LDCs.

16. On Export Competition, the C-4 noted the downward trend in the use of export subsidies and called for a decision to eliminate export subsidies in respect of cotton at the 10th Ministerial Conference in Nairobi.

17. On Domestic Support, the C-4 noted that significant levels of domestic support provided by Members who export most of their cotton production could have the same effect as an export subsidy. In that regard the C-4 called on all Members to show political will and to commit to substantive discussions to achieve a fair and balanced solution in that pillar.

18. With regards to the **way forward**, I stressed that cotton had to be part of any outcome from the 10th Ministerial Conference – not least because of the expected benefits for LDC Members. I pointed out the clear convergence on that point.

19. I referred to textual elements I had tabled based on (i) the C-4 proposal and its Addendum² containing the list of products of interest to the C-4, as well as (ii) what I had heard during my consultations in the Quad and Quad plus configurations, and (iii) written textual proposals from Members.

20. I noted that my objective was not to negotiate my text with the Quad plus Members but to initiate a negotiation between Members, starting with that group of major cotton players, and including the C-4.

21. Based on what I had heard during my various consultations, my intention was to prepare and circulate a first draft text under my own responsibility in the coming days. That draft text would be circulated to the Quad Plus group and then to all Members to provide an opportunity for reactions and comments. That text would not be a final text but a first draft which should leave some options open on the most controversial issues while helping to pursue a focused discussion on a possible outcome on cotton in Nairobi.

22. I further noted that the draft text for consideration would follow the same structure as the C-4 proposal and start with a preamble that would recall a certain number of general principles and important facts, as well as make reference to past decisions of relevance in the cotton context. The draft text would also include elements under the three pillars of Market Access, Domestic Support and Export competition, reflecting on the one hand proposals by the C-4 and on the other hand what I heard in my consultations, with the overall objective of addressing concerns and bridging the gaps between levels of ambition.

23. I also drew Members' attention to the fact that, as mandated by the Bali Ministerial Decision on Cotton, the Director General would make a factual report to the 10th Ministerial Conference on the progress made in implementing the trade-related components of cotton both under the dedicated discussion transparency process as well as under the negotiations track.

24. In concluding the meeting, I noted that the continuation of the dedicated discussions would be subject to the results of the negotiation on the various trade-related aspects of cotton at the 10th Ministerial Conference. Therefore my intention was to wait until the beginning of next year to see whether and how to convene the fifth dedicated discussion, based on what would have happened in Nairobi.
