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(16-4817)

Page: 1/4

**Committee on Agriculture
Special Session
Sub-Committee on Cotton****FIFTH DEDICATED DISCUSSION OF THE RELEVANT
TRADE-RELATED DEVELOPMENTS FOR COTTON**

1 JULY 2016

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

1. Pursuant to the Bali Ministerial Decision on Cotton of 7 December 2013² and the Nairobi Ministerial Decision on Cotton of 19 December 2015³, the fifth dedicated discussion of the relevant trade-related developments for cotton took place on 1 July 2016, in the context of the Committee on Agriculture in Special Session. The dedicated discussion was held back-to-back with the 25th 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, including cotton. I welcomed the fact that various Members had tabled questions aimed at stimulating constructive discussions on topics of interest to them, and in particular on domestic support and cotton.

3. In particular, I drew Members' attention to the C-4's questions on cotton⁴ and to the new submissions by the LDC group⁵ and by Brazil with other co-authors⁶, both of which included cotton elements. Along with the proponents, I invited Members to further reflect on the questions posed and share their views at upcoming meetings of the Committee on Agriculture in Special Session.

4. I noted that the dedicated discussions on cotton stemmed initially from the Bali Ministerial Decision and that in the Nairobi Ministerial Decision Ministers undertook to continue this bi-annual dedicated discussion of relevant trade-related developments across the three pillars of Market Access, Domestic Support and Export Competition in relation to cotton. In Nairobi, Ministers also included specific new elements for monitoring under the Market Access component of the Decision.

5. Once again, I reminded participants that this process was not a negotiating forum *per se* but rather provided a unique opportunity to have a constructive exchange around Members' cotton trade-related policies from a WTO perspective and usefully inform our ongoing negotiations on cotton.

6. In that regard, I noted that while external information like that provided in the presentations by ICAC was extremely useful, nothing could replace information coming from Members' notifications.

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

² Document WT/MIN(13)/41 – WT/L/916, dated 11 December 2013.

³ Document WT/MIN(15)/46 – WT/L/981, dated 21 December 2015.

⁴ Document JOB/AG/74 – TN/AG/SCC/GEN/15 dated 28 June 2016.

⁵ Document JOB/AG/73 dated 22 June 2016.

⁶ Document JOB/AG/72 dated 22 June 2016.

7. I pointed out that among the 32 Members identified as potential cotton markets of interest for LDCs in the Secretariat's background paper, only five Members could be considered as being up-to-date with their notifications on Domestic Support. I stressed once more that the lack of notifications could significantly impact our ability to conduct negotiations. Recalling paragraph 8 of the Nairobi Ministerial Decision on Cotton which states that "*... Members shall ensure that necessary transparency is provided through regular notifications and the subsequent review process in the Committee on Agriculture*", I urged Members to update their notifications, especially in the area of Domestic Support, which had been identified as the main area of interest in the negotiations.

8. Under the agenda item "**General Statements from Members**", Mali, on behalf of the Cotton-4 (C-4), welcomed the Nairobi Ministerial Decision on Cotton. The C-4 considered the Decision as an encouraging step forward in the fields of Market Access and Export Competition, as well as development-related aspects, and noted that the follow-up to the implementation of the Decision would remain a priority.

9. However, the C-4 regretted the lack of results in the Domestic Support pillar. The C-4 recalled the mandate to address cotton "ambitiously, expeditiously and specifically", in line with the Hong Kong Ministerial Declaration, and the Bali and Nairobi Decisions, and reaffirmed its commitment and readiness to contribute to the resolution of this issue. The C-4 urged all Members to actively contribute towards the ultimate objective of achieving an outcome on Domestic Support for cotton at the 11th Ministerial Conference.

10. Benin, on behalf of the LDC group, supported the C-4's statement and also welcomed the Market Access and Export Competition components of the Nairobi Decision on Cotton. Making reference to its recent submission⁷, the LDC group also stressed the importance of achieving an outcome on Domestic Support by the 11th Ministerial Conference, and urged relevant Members to provide up-to-date and detailed data on their domestic support for cotton and make proposals regarding the reduction of their trade-distorting supports.

11. The **International Cotton Advisory Committee (ICAC)** made a detailed presentation⁸ on the latest developments in the global cotton market and trade trends.

12. The WTO Secretariat presented its **revised background paper**⁹ which compiles 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 includes Members' responses to the questionnaires on cotton policy developments circulated on 4 February 2015, 17 September 2015 and 22 February 2016¹⁰, as well as relevant information on cotton markets and policies from Trade Policy Review reports.

13. The Secretariat noted that in line with the Nairobi Ministerial Decision on Cotton, the background paper also included a new addendum with Market Access-related data for the cotton-related products, listed in the Annex to the Decision.

14. I took that opportunity to once again urge Members to update their notifications and actively reply to the cotton questionnaire. Several Members echoed my concern regarding the lack of updated data on policy measures, particularly from some major cotton producing and trading Members.

15. Members welcomed both presentations and thanked ICAC, in particular, for its presence and participation in the dedicated discussions, highlighting the importance of ICAC's contribution for substantive debates.

⁷ Document JOB/AG/73 dated 22 June 2016.

⁸ https://www.wto.org/english/news_e/news16_e/cdac_01jul16_e.pdf.

⁹ Documents TN/AG/GEN/34/Rev.4 – TN/AG/SCC/GEN/13/Rev.4 and TN/AG/GEN/34/Rev.4/Add.1 – TN/AG/SCC/GEN/13/Rev.4/Add.1, dated 17 June 2016.

¹⁰ The French and Spanish versions of this questionnaire were circulated on 8 March 2016.

16. One Member encouraged ICAC to present updated information on government support to cotton, as was already done at the fourth dedicated discussion. That information provided useful context to assess the importance of domestic support in the cotton sector. Another Member noted that high cotton prices were one of the underlying factors behind the declining trend of cotton use in the textile industry. Some Members also highlighted the role played by the evolution of stocks of cotton, in particular in China.

17. Some Members suggested that ICAC's analysis also take into account other aspects in addition to the macro picture of the cotton market, such as average farm holding sizes and average earnings of cotton farmers. However, another Member noted that looking at government support at per farmer level could be biased, as the overall impact of support per farmer could also be significant. Finally, one Member asked ICAC whether it had undertaken studies to assess the environmental impact of cotton production in Africa.

18. The C-4 invited other organizations, in a position to do so, to provide any relevant data they may have on cotton production, productivity and trade.

19. Several Members highlighted the fact that support levels remained high in the cotton sector, with particularly negative impacts on developing countries that provided no or little support to their cotton production. In this regard, the C-4 noted that very high levels of domestic support could have a similar effect as with export subsidies when most of the cotton production was exported.

20. At the request of one Member, and since such data were already available in the annual note by the Secretariat on "Members participation in the normal growth of world trade in agricultural products", it was agreed that the Secretariat would include in the next revision of its background paper information on cotton exports.

21. In relation to the Market Access section of the Secretariat's document, 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 from each LDC. The C-4 also noted that the tables in the background paper showed that LDC Members did not yet have full duty free and quota free (DFQF) access to some major cotton markets, including China, India and the United States. The C-4 called on developed countries and developing ones in a position to do so, to indicate which steps were being undertaken in order to provide DFQF cotton access for LDC countries, in accordance with the Nairobi Ministerial Decision on Cotton. The C-4 also raised questions regarding some sanitary and phytosanitary measures applied on cotton-related products.

22. Japan noted in response to a question that its export financing support was in line with the Nairobi Ministerial Decision. The repayment terms for exports of agricultural products were very rarely more than 180 days, and cotton exports were negligible.

23. Pakistan noted that its cotton sector had gone through significant reforms over the last two decades, characterized by the removal of various governmental forms of support and low applied import duties. Local farmers were therefore facing important difficulties to compete with highly-subsidized cotton farms in other countries, and the cotton area was declining in Pakistan.

24. The United States briefed Members on its recently introduced Cotton Ginning Cost-Share programme.¹¹ The United States noted that the payments for this programme would be based on the 2015 cotton plantings and would be limited in scope by payment caps and eligibility requirements for producers. One Member expressed its concern about the estimated USD 300 million cost of this new programme.

¹¹ This is addressed in the US response to the Secretariat's questionnaire contained, together with Burkina Faso and Uganda's replies, in document TN/AG/GEN/34/Rev.4/Add.2 – TN/AG/SCC/GEN/13/Rev.4/Add.2 dated 26 July 2016.

25. China shared some data regarding its cotton import and stock policies. China cited some statistics which showed that it remained a significant global importer of cotton during 2012-2015 and noted that such high volume of imports had resulted in a decline of domestic production and acreage. China noted that it did not intend to maintain its high stock levels as the purpose of importing cotton was for use in textile processing. China noted two reasons for its increased stock: (i) difficulties faced by local textile sectors due to tariff peaks and escalation; and (ii) distortions in cotton prices resulting from high subsidies by developed countries. China's intention was to continue to manage the release of these stocks in a cautious, orderly and responsible manner.

26. In concluding the meeting, I noted that this dedicated discussion, the first one following the Nairobi Ministerial Conference, had been very useful, particularly thanks to the ICAC presentation which had sparked constructive exchanges. I encouraged Members to continue engaging with each other to enhance their understanding of their respective cotton policies.
