



18 September 2018

(18-5754)

Page: 1/3

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

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

19 JUNE 2018

Report¹ by the Chairman, Ambassador John Ronald Dipchandra (Deep) Ford

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 9th Dedicated Discussion of the Relevant Trade-Related Developments for Cotton took place on 19 June 2018. The Dedicated Discussion was held back-to-back with the 29th Round of the Director-General's Consultative Framework Mechanism on Cotton (DGCFMC), dealing with the development assistance aspects of Cotton.

2. In my **introductory remarks**, I highlighted the importance of the Dedicated Discussions and of Cotton negotiations for Least Developed and African countries. I noted that the Dedicated Discussion, although not a negotiation forum, provides a unique opportunity to advance awareness and understanding of Members' Cotton trade-related policies from a WTO perspective and to have a constructive exchange of information on the global Cotton market, helping Members to lay the foundations for negotiations and pave the way to success.

3. As is customary, I reported on the state of play in Cotton negotiations based on consultations held since I took office. I noted that several Members, including the Cotton 4 (C4): (1) regretted the absence of an outcome on Cotton at MC11 and acknowledged the critical importance of Cotton Domestic Support in the negotiations; and (2) reaffirmed their preparedness to work intensively and collectively on Cotton, including possibly as a stand-alone issue, while referencing past proposals and positions.

4. I also noted that there was broad agreement among Members on the need for updated information and data to inform Cotton negotiations. I myself stressed once again the crucial role of up-to-date data on Members' policies and support levels in the negotiation, especially in terms of Domestic Support, and called for Members' efforts in that regard.

5. I noted that several Members had stressed the need to approach the negotiation process in a more flexible and pragmatic manner, for instance, through an incremental approach or small steps. I cautioned, however, that this should not affect overall ambition and the fundamental goal of creating a more competitive market environment that fosters higher levels of development.

6. Under the agenda item "**General Statements from Members**", Benin, on behalf of the C4 stressed the vital economic and social importance of Cotton to African LDCs. The C4 noted that a large number of households, representing 5% of the population in Sub-Saharan Africa, are employed in the sector. Although the income generated by Cotton in Africa is significantly smaller than in other major Cotton producing countries, the C4 noted that Cotton contributed to job creation, food security, and the integration of African Cotton-producing and exporting countries into the multilateral trading system.

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.

7. The C4 regretted the lack of an outcome on Cotton at MC11, a topic under negotiation for over 15 years. Recalling the Hong Kong Ministerial agreement to treat Cotton ambitiously, expeditiously and specifically, the C4 urged all Members to work towards a substantive and measurable outcome on Cotton by MC12, in particular on domestic support, where no results had been achieved thus far. To that end, the C4 noted the importance of having a comprehensive analysis of the impact of domestic support to Cotton with updated information by category of support (boxes), as well as information on Cotton value of production.

8. The C4 further noted the importance of implementing the Bali and Nairobi Ministerial Decisions, as instructed by C4 Ministers at the 2017 Cotonou Ministerial Conference. In that context, the C4 invited both developed and developing Members to update their schedules by incorporating their commitments on DFQF access for Cotton and Cotton-related products as well as export subsidies entitlements elimination. The C4 also invited Members to collectively discuss to what extent the scope of DFQF regime could be extended to cover more Cotton-related products.

9. Togo echoed the C4 statement and reiterated the importance of Cotton for African economies, noting that Cotton was a driver of investment in Cotton-producing areas given the diversity of its products, its potential for transformation and value addition. Togo noted that Cotton accounted for nearly 40% of its export earnings, contributing significantly to its GDP. Togo noted that it was actively searching for solutions at the sub-regional level for its Cotton producers. The 11th meeting of the Regional Program for Integrated Cotton Production in Africa (PR-PICA) had been held in Togo in April 2018 to take stock of the 2017-2018 Cotton season and strengthen the partnership between producers and Cotton companies from Benin, Burkina Faso, Ivory Coast, Mali, Senegal and Togo.

10. On Cotton negotiations, like the C4, Togo regretted the absence of results at MC 11 and noted that Cotton should be a priority for MC12. Togo also underlined the need to effectively implement the Nairobi Ministerial Decision and called for a gradual reduction of domestic support and improved market access for LDCs.

11. Other Members took the floor to support the C4's call to address the long-standing Cotton issue. Brazil and Pakistan noted that an outcome could be achieved through small and incremental steps. Pakistan, however, still supported the C4's proposal as the most comprehensive solution in the long term. Brazil specified that it was working on possible ideas, including a possible stand-alone MC12 Cotton result.

12. Pakistan noted that Cotton was a major contributor to its economy. Due to heavy distortions in the global market, its Cotton farmers, who did not receive any public assistance, continued to face income losses. Pakistan noted that the distortions also affected farmers' decisions to cultivate crops other than Cotton. While the percentage of Cotton receiving direct assistance in the international market and the amount of Cotton-specific support had declined in 2016/17 compared to 2015/16 due to higher prices, the estimated total amount of subsidies was still significant. In addition to domestic support, Pakistan noted that border restrictions mainly in the form of import tariffs were also detrimental to Least-developed and developing countries' Cotton exports. Pakistan reaffirmed its commitment to the MC10 mandate to pursue reforms on Cotton in all three pillars, stressing that negotiations on Cotton should not be linked to overall agriculture negotiations.

13. India noted that it provided DFQF access to LDCs for over 90% of Cotton tariff lines and that imports from LDCs accounted for nearly 23% of its total Cotton imports. India encouraged other Members who did not provide DFQF access to do so in accordance with the Nairobi Decision. India also highlighted various technical assistance activities it is carrying out to help African Cotton farmers improve productivity and participate in the Cotton value chain. On Cotton Domestic Support negotiations, India suggested to focus on AMS support beyond the *de minimis* level.

14. The EU noted that despite its marginal role in Cotton production, trade and subsidization, it had cosponsored a proposal on domestic support before MC11 which targeted the most trade-distorting support for Cotton. The EU regretted Members' failure to reach an agreement at MC11 and called for realistic and balanced approaches to address the issue.

15. The **International Cotton Advisory Committee (ICAC)** made a detailed presentation on recent developments in the Cotton market.⁴ ICAC noted that world Cotton consumption was expected to continue growing in 2018-19 while Cotton production was expected to fall. Cotton prices had remained relatively high and the level of Cotton subsidies as measured by ICAC had increased in 2017-18 in comparison to the previous season. A challenge faced by the Cotton sector remained the competition from man-made fibres in the long term, and ICAC stressed the need to explore new markets to secure a strong future for the Cotton sector.

16. The WTO Secretariat presented its **revised background paper** and addenda⁵ 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' latest responses to the questionnaire on Cotton policy developments, as well as relevant information on Cotton markets and policies included in Trade Policy Review reports.

17. I reiterated the importance of the quality and timeliness of Members' notifications and submissions to the WTO, including replies to the questionnaire circulated by the Secretariat, stressing that the quality of the information contained in the Secretariat paper was fully dependent on that information. I called on Members, particularly key Cotton actors, to be more forthcoming in sharing information on recent policy developments.

18. Members welcomed the revised paper and many echoed my call to improve the responsiveness to the Secretariat's questionnaire, noting the current low response rate. The C4 again invited Members to provide updated information on their Cotton policies and support.

19. Members also welcomed ICAC's detailed presentation and expressed gratitude towards ICAC's contribution to the Dedicated Discussions. Benin requested ICAC to provide a breakdown of support to Cotton by Member and by type of support. Mali asked whether ICAC had statistics regarding intra-African Cotton trade. ICAC promised to circulate the requested information through the WTO Secretariat.

20. The International Trade Centre (ITC) updated Members on the new features introduced to the **Cotton Portal** including: (1) new ICAC page with historical data on Cotton supply/use, harvested area, production, consumption, trade and stocks by country; and (2) new export potential map application which helps identify products, markets and suppliers with untapped export potential as well as opportunities for export diversification. A new video on the MC11 Cotton Portal launch was also presented to participants. ICAC committed to share more information in contribution to the joint effort towards a more transparent Cotton market, both for policy makers and private actors.

21. I commended the work undertaken to further develop that excellent tool which contributed to a more efficient Cotton trading system. I echoed the Director-General's remarks at MC11 that the Cotton Portal was an important addition to efforts helping the Cotton community achieve their development goals by gathering all the relevant information. It also facilitated the monitoring of the implementation by Members of the Market Access paragraphs contained in the MC10 Cotton Decision.

22. Noting the importance of statistical data in negotiations, the C4 welcomed those improvements and requested ITC and WTO to hold a training on the Portal on the margins of the next Cotton day.

23. In my **concluding remarks**, I underlined the importance of Cotton to many economies, especially LDCs. I commended Members' commitment to finding a solution to this long-standing issue and called on all Members to further increase their engagement in that regard. I also urged Members to demonstrate flexibility and creativity in search of new paths and to be more forthcoming in information sharing.

⁴ This presentation can be uploaded at:
https://www.wto.org/english/news_e/news18_e/cdac_26jun18_e.htm.

⁵ Documents TN/AG/GEN/34/Rev.8 – TN/AG/SCC/GEN/13/Rev.8, TN/AG/GEN/34/Rev.8/Add.1 – TN/AG/SCC/GEN/13/Rev.8/Add.1, and TN/AG/GEN/34/Rev.8/Add.2 – TN/AG/SCC/GEN/13/Rev.8/Add.2, dated 8 June 2018.