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

**15<sup>TH</sup> DEDICATED DISCUSSION OF THE RELEVANT  
TRADE-RELATED DEVELOPMENTS FOR COTTON**

28 MAY 2021

*Report<sup>1</sup> by the Chairperson, Ambassador Gloria ABRAHAM PERALTA*

1. Pursuant to the Bali Ministerial Decision on Cotton of 7 December 2013<sup>2</sup> and the Nairobi Ministerial Decision on Cotton of 19 December 2015<sup>3</sup>, the 15<sup>th</sup> Dedicated Discussion of the Relevant Trade-Related Developments for Cotton (the Dedicated Discussion) took place on 28 May 2021. The Dedicated Discussion was held back-to-back with the 35<sup>th</sup> 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 provided an update on the **state of play in the agriculture negotiations with a focus on cotton**. I noted that the facilitator-led process initiated in October 2020 would end soon, and referred to the report made by the two cotton facilitators, Sergio CARVALHO from Brazil and Emmanuel OUALI from Burkina Faso, during the CoA Special Session (CoA-SS) meeting that took place three days prior to this meeting.

3. I noted that while cotton is recognized by many Members as an important element of an MC12 agricultural package, in view of its critical role for development and for the livelihoods of people in many LDC Members, the topic - in particular trade distorting cotton support - was to be considered as part of the overall agriculture negotiations, especially as part of negotiations on domestic support overall. In this context, Members had expressed their willingness to explore ways to improve cotton-related transparency in a targeted manner, with due account of the fact that cotton already benefits from a specific enhanced transparency mechanism through the biannual Dedicated Discussions.

4. I noted that some suggestions were made in this regard, such as incorporating the cotton questionnaire in the G/AG/2 transparency requirements: the facilitators observed an appetite for discussing a well-defined and substantiated proposal on this, which may take some time but was doable in their view. I took the opportunity to urge all Members to intensify their efforts in the coming weeks to work on such potential transparency-related inputs that would effectively add some value to the mechanisms currently in place.

5. On the way forward, I noted that the report made by the facilitators would be circulated in writing shortly, and that I would also circulate my own report summarizing my assessment of the state of play in the negotiations, including on cotton. I indicated that I would convene a Cotton Quad Plus meeting at Heads of Delegation level in the coming weeks to take stock of the situation. In addition, I reminded Members of the Cotton Development Assistance component, which is complementary to the trade track and is also of great importance. This component would be addressed in the context of the Director General's Consultative Framework Mechanism on Cotton.

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<sup>1</sup> This report is circulated under the Chair's own responsibility.

<sup>2</sup> Document WT/MIN(13)/41 - WT/L/916, dated 11 December 2013.

<sup>3</sup> Document WT/MIN(15)/46 - WT/L/981, dated 21 December 2015.

6. Under the agenda item "**General Statements from Members**", Burkina Faso, on behalf of the Cotton-4 (C-4)<sup>4</sup>, underlined the severe impact of the COVID-19 pandemic on the cotton sector, including income losses and slowdown of economic activities. The C-4 expressed concern about the post-pandemic recovery measures taken by some countries that have led to an increased level of domestic support to cotton. In this regard, the C-4 reiterated that reduction or the phasing out of trade-distorting domestic support remains their priority and urged Members to find a solution to this problem.

7. The C-4 called on Members to be more transparent about the measures they have taken in response to COVID-19 in the cotton sector, as well as about the implementation of their Nairobi commitments on market access and export subsidies for cotton. On market access, the C-4 encouraged Members to make greater efforts to extend duty-free and quota-free access to their markets for all cotton products originating in LDCs. The C-4 also stressed the importance of transparency in relation to the removal of all restrictive trade measures that may have a negative impact on cotton. Finally, the C-4 made the following two requests: (1) inclusion of a new standing agenda item on COVID-19 and cotton in the Dedicated Discussion; and (2) preparation of an information note by the Secretariat to assess the impact of COVID-19 on the cotton sector in the C-4 countries and other LDCs.

8. Mali described the devastating harm brought by COVID-19 to its cotton sector, noting that the health crisis had resulted in the following effects: a drastic price fall for cotton and cotton seed; a slowdown in cotton transportation; excessive accumulation of cotton stocks in factories and ports; difficulties for cotton companies in honoring the commitments made to financial partners and suppliers; a decrease in cotton production; and waste of fertilizers and pesticides. Those trends had led to a significant drop in cotton producers' incomes, a fall in the turnover of all economic players operating in the cotton production and processing sectors, and a significant reduction in the country's earnings from cotton exports, taxes and duties. Mali stated that it had established an action plan to deal with the lasting harmful effects of the pandemic, and to revive its cotton sector. Mali supported the requests made by Burkina Faso on behalf of the C-4 and asked the Secretariat to expedite the study on COVID-19 so that its results could help the C-4 mobilize resources at MC12 to support cotton development.

9. Nigeria, on behalf of the African Group, underlined that it was crucial to address food and livelihood security in Africa and to develop cotton value chains so as to unlock the economic potential of cotton-producing developing countries. The Group maintained its position that cotton-related development assistance should be demand-driven in order effectively to address Africa's livelihood difficulties. The group further called on development partners and donors to consider favourably the development assistance requests submitted by Benin, Burkina Faso, Cameroon, Mali, and the C-4 as a group.

10. On cotton negotiations, the African Group echoed the C-4's statements. Stressing that the product-specific cotton subsidies provided by large economies erode LDC cotton producers' competitiveness both in international and domestic markets, the group called on Members to support the C-4 proposal and to work towards an outcome at MC12 on the elimination of any use of Final Bound AMS as product-specific cotton subsidies. On market access, while thanking the Members that had granted duty-free and quota-free market access for cotton produced and exported by LDCs, the group pointed out that these preferences continue to be eroded by non-tariff barriers, such as SPS and TBT measures, as well as by some preferential arrangements and tariff escalation. The group observed that these constitute significant barriers to LDC cotton exports and regretted the lack of progress in discussions on the SPS, TBT and agreement-specific Special and Differential aspects of the G-90's proposal.

11. On export competition, the African Group indicated that it would prefer that Members improved their compliance with existing transparency commitments, including those made under the Nairobi Decision, rather than exploring additional requirements that would pose difficulties for Members of the group due to resource and capacity constraints. The group noted that, under the Nairobi Decision, developing countries are required to submit their responses to the Export Competition Questionnaire (ECQ) by 2021, and the appropriate first step in this pillar should be the collation and analysis of all replies to the ECQ, including those being returned in 2021. On the basis of the

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<sup>4</sup> Benin, Burkina Faso, Chad, and Mali.

information gap identified through the analysis, Members can thereafter engage in discussions on how to improve existing transparency obligations to bridge the gap.

12. Chad, on behalf of the LDC Group, supported the C-4 and African Group's call to remove non-tariff barriers such as SPS and TPT measures so that the duty-free and quota-free preferences granted by countries to LDC cotton exports would not be eroded. The group also supported enhanced monitoring and improved transparency in the implementation of the Nairobi Decision on Export Competition. On domestic support, the group echoed the C-4's call to address trade-distorting support.

13. The European Union (EU) noted its interest in continued discussion of Members' experience in the cotton sector in this forum, in particular in the context of the COVID-19 pandemic. The EU reaffirmed its commitment to the Joint Statement adopted at ministerial level during the World Cotton Day (WCD) launch event on 7 October 2019, which called for an intensification of discussions on factors negatively impacting cotton trade and markets, as well as enhancement of transparency and monitoring of cotton trade-related measures. Looking towards MC12, the EU considered improvements on transparency and monitoring of cotton as a possible outcome. The EU referred to its suggestion during the CoA-SS that the cotton questionnaire be included in the G/AG/2 guidelines, and indicated its readiness to discuss this proposal as well as any other practical ideas which would improve transparency without increasing the administrative burden on Members.

14. Brazil voiced its commitment to working towards an outcome on cotton at MC12 and beyond. Brazil noted that, although its priority remained trade-distorting support, it considered cotton-related transparency as an incremental confidence-building step that would prepare the way for future negotiations on domestic support.

15. The United States, while acknowledging the importance of this topic for many Members, stressed that an outcome on cotton had to be considered in the context of the broader agriculture negotiations. The US shared its view that transparency is the most likely outcome for MC12 in agriculture but cautioned against seeking an outcome on cotton for the sake of an outcome. The US underlined that any outcome should address actual concerns and noted that if a transparency element is considered useful for cotton, there will be a good chance that the same element would be useful for other commodities as well.

16. China reaffirmed that eliminating AMS entitlements beyond *de minimis* is its priority. It supported further analysis on cotton production, trade and policies that may help bridge different positions in the negotiations. China also called for realistic approaches to improve existing information requirements. Finally, China recalled its efforts to provide development assistance to the C-4 and other LDCs, including its investments in the cotton sector and its support for knowledge transfer in Africa.

17. The **International Cotton Advisory Committee (ICAC)**<sup>5</sup> updated Members on the latest developments in the global cotton market, including trends in world cotton production, consumption, stocks, and trade, as well as evolution of global assistance to cotton production. ICAC also presented on the impact of the COVID-19 pandemic on the textile and apparel sector and the resulting effects on demand for cotton.

18. The presentation elicited great interest among Members. Côte d'Ivoire asked ICAC which type of assistance to cotton production, out of the six that it had listed in its presentation, was considered to have the most harmful effects on the sector. ICAC responded that it was difficult to compare the magnitude of support among the different types of measures used by different countries. There were also some methodological questions such as whether measurement should be based on overall support or support per farmer.

19. In relation to the negative correlation between support to cotton and cotton prices, China enquired if ICAC could provide a more detailed analysis, including supporting data by country or

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<sup>5</sup> ICAC's presentation can be found on [https://www.wto.org/english/tratop\\_e/agric\\_e/agenda\\_item\\_3\\_i\\_a\\_icac\\_presentation.pdf](https://www.wto.org/english/tratop_e/agric_e/agenda_item_3_i_a_icac_presentation.pdf).

region. ICAC referred to its annual publication on global assistance to cotton production, which would be released in November, and noted that cotton prices drive subsidies and not the reverse.

20. Chad pointed to the disruption that the COVID-19 pandemic had caused to the cotton sector, and asked ICAC if it considered that the recovery of the sector could be realized in 2023. Chad also stressed the importance of research and diversification for the cotton sector and enquired if cotton's market share were at risk of being crowded out by man-made fibres such as polyester. Chad also asked ICAC how technology transfer could help African cotton farmers taking fully advantage of the development of digital trade illustrated by the surge of online purchases of garments. In a last question, Chad wondered whether the production of organic cotton in Africa constituted a promising way forward to raise farmers' incomes in view of the current market trends.

21. ICAC expressed the view that market could be at a turning point in the competition between cotton and polyester. Synthetic fibre had gained more market share over the last 20 years, reducing cotton's share to approximately 25%. However, the world has changed dramatically in the recent years and there is growing awareness of environmental issues such as climate change and sustainability. In this regard, cotton may be favoured by some consumers as it is more environmentally sustainable including in relation to climate-change than synthetic fibre. Younger people in particular are likely to take this into consideration when purchasing garments. Where and how cotton is grown also matters.

22. ICAC also considered that Africa has great potential in the production of organic cotton, due to the following reasons: (1) while the market represents only about 1% of total cotton consumption there is rising demand for organic cotton; (2) African farmers do not use much pesticide and fertilizer due to cost considerations for smallholder farmers, and the transition from conventional to organic cotton is therefore facilitated on the continent. ICAC also shared the view that it is important to ensure that higher price for organic cotton effectively results in higher revenue for farmers. ICAC finally considered that while the use of natural inputs would reduce costs of production, the key issue in Africa is how to increase organic cotton yields after the transition period. ICAC underlined its ongoing work with other organizations on this question.

23. ICAC also noted that limited internet access and high cost of downloading data, a problem encountered by ICAC itself when disseminating its cotton mobile applications for farmers, are hampering the development of digital trade on the continent and noted that this problem deserves a lot of attention.

24. The Secretariat introduced the **revised background paper**<sup>6</sup> and addenda<sup>7</sup>. The background paper compiles up-to-date information and data from Members' notifications and other submissions on export subsidies, domestic support and market access, including both tariff and non-tariff measures. The background paper also captures 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. The Secretariat in its presentation announced an upcoming IT project that would enable Members to submit replies to the cotton questionnaire online, and to search and download cotton-related data reports.

25. I reiterated that the quality of the background paper relied on the quality and timeliness of Members' notifications and submissions to the WTO, including replies to the questionnaire circulated by the Secretariat. I invited all Members – and in particular key cotton actors – to contribute to the document and to be more forthcoming in sharing information on recent policy developments. I welcomed the upcoming IT project in this regard which would significantly contribute to improved transparency in a cost-effective manner.

26. Brazil, the C-4, Côte d'Ivoire and the EU took the floor and welcomed the Secretariat's IT initiative. Brazil referred to the discussion of transparency improvements in the negotiations and noted that those discussions could be coordinated with the Secretariat's efforts to ensure Members provide updated and timely information for inclusion in the background paper. The EU drew

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<sup>6</sup> The presentation can be found on [https://www.wto.org/english/tratop\\_e/agric\\_e/agenda\\_item\\_3\\_i\\_b\\_presentation\\_of\\_gen34r14.pdf](https://www.wto.org/english/tratop_e/agric_e/agenda_item_3_i_b_presentation_of_gen34r14.pdf).

<sup>7</sup> Documents TN/AG/GEN/34/Rev.14 - TN/AG/SCC/GEN/13/Rev.14, TN/AG/GEN/34/Rev.14/Add.1 - TN/AG/SCC/GEN/13/Rev.14/Add.1 and TN/AG/GEN/34/Rev.14/Add.2 - TN/AG/SCC/GEN/13/Rev.14/Add.2, dated 17 May 2021.

Members' attention to the importance of the questionnaire as a source of additional information and invited Members that have not yet replied, especially key cotton players, to respond to the questionnaire. Côte d'Ivoire encouraged all Members to contribute to improved transparency.

27. The International Trade Centre (ITC) made a presentation<sup>8</sup> on the **Cotton Portal**. ITC summarized the main features of the portal and shared some statistics on its use across the world. In order to continue enhancing the portal, ITC introduced a user survey which it had developed jointly with the WTO Secretariat, to assess the needs and expectations of potential users. ITC noted that the portal would be updated and adapted as necessary based on the results of the survey.

28. I noted that the success of the survey in identifying how the portal could be improved will depend on the number and quality of replies, and encouraged all Members to disseminate the survey to cotton stakeholders in their respective networks, including to non-governmental stakeholders. The C-4 supported my call.

29. In my **concluding remarks**, I reminded Members of the second anniversary of World Cotton Day that would be held on 7 October this year at the request of the C-4. As no Member had objected to either of the two requests made by the C-4, I announced that COVID-19 and cotton will be included as a standing item in the agenda starting with the next dedicated discussion in November. I also invited the Secretariat to start preparing a background study on the impact of COVID-19 on the cotton sector in LDCs, and to report on the progress of the study at the next meeting.

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<sup>8</sup> ITC's presentation can be found on [https://www.wto.org/english/tratop\\_e/agric\\_e/agenda\\_item\\_3\\_i\\_c\\_itc\\_presentation.pdf](https://www.wto.org/english/tratop_e/agric_e/agenda_item_3_i_c_itc_presentation.pdf).