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

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

4 NOVEMBER 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 16<sup>th</sup> Dedicated Discussion of the Relevant Trade-Related Developments for Cotton (the Dedicated Discussion) took place on 4 November 2021. The Dedicated Discussion was held back-to-back with the 36<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 noted that, despite the sanitary-related challenges, the 2021 edition of **World Cotton Day** was duly celebrated by partner organizations, Members, observers, civil society, and the private sector, in various parts of the globe. The celebrations at the WTO included a joint webinar with the ITC focusing on African value chains for cotton, textiles, and the clothing sector, a cotton exhibition in the WTO atrium showcasing stands by the WTO Secretariat, Members, and partner organizations, as well as online celebrations such as a dedicated webpage with news on cotton and WCD 2021 events. The WTO also hosted several Ministers from Burkina Faso and Mali on that occasion.

3. I congratulated the Cotton-4 (C-4)<sup>4</sup> on the historic adoption by the United Nations General Assembly of the resolution proclaiming 7 October as the international day for cotton. I highlighted the importance of this achievement for the cotton community, noting that the resolution acknowledges the vital role cotton plays in several countries by providing livelihoods for millions of people, as well as its broader economic and social impacts around the world. I noted that the resolution also reaffirms the relevance of the sectoral cotton initiative launched in 2003 and acknowledges the work undertaken at the WTO since then, both on effective development assistance to cotton sectors in developing countries and in terms of the trade negotiations.

4. In my report of the **state of play in the agriculture negotiations with a focus on cotton**, I noted that achieving an outcome on cotton at MC12 was a shared objective for Members and such an outcome should address both trade and development. The latter, developed under the DGCFMC, envisaged to acknowledge at MC12 the work undertaken under the cotton development track pursuant to past Ministerial Decisions. The second Partners' Conference, to be held in the margins of MC12 to help LDCs in their efforts to mobilize technical and financial resources for the implementation of cotton projects, would also be an important component of an outcome on development.

5. I noted that the Cotton Quad Plus meeting that took place at Heads of Delegations level on 13 October had addressed both trade-related aspects, under my chairmanship, and development under DDG Paugam's chairmanship. In relation to the trade component, discussions at the Quad

<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.

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

Plus meeting and at the CoA Special Session meeting of 28 October had confirmed the need for Members to pursue efforts to narrow remaining gaps on the way forward regarding trade-distorting domestic support for cotton. The C-4 invited Members to continue discussions around its proposal.<sup>5</sup> Other Members, considering the current state of play in the negotiations, saw my draft text contained in JOB/AG/215 as a good basis for future work both on the question of trade-distorting domestic support and transparency enhancement.

6. In terms of process, I noted that I was currently considering what kind of document could be submitted for Ministers' consideration at MC12, based on all the inputs received so far by Members, including on cotton. I therefore urged all Members to engage intensively to reach consensus around realistic and credible "landing zones".

7. Under the agenda item "**General Statements from Members**", Burkina Faso, on behalf of the C-4, invited Members to demonstrate flexibility with a view to finding a mutually agreed solution situated somewhere between the Chair's draft text and the C-4's proposal. Recalling that the Hong Kong Ministerial Declaration mandated Members to address cotton "ambitiously, expeditiously and specifically" within the agriculture negotiations, the group, again, expressed hope that Members reach a concrete and measurable outcome at MC12 on trade-distorting domestic support, particularly as it could be expected to increase because of the pandemic. The C-4 reiterated its call on Members to be more transparent about the measures taken in response to COVID-19, to implement the commitments made regarding market access under the Nairobi Decision, and to lift all trade-restrictive measures that may have a negative impact on the cotton sector.

8. In response to the Chair's report, the United States (US) noted that development assistance should be dealt with under the DGCFMC and discussions in this forum and the CoA special session should focus on trade-related issues. In light of the time constraints and other limitations faced by Members, the US viewed transparency as the most likely outcome at MC12. It referred to its proposal<sup>6</sup> jointly tabled with the European Union (EU), Japan and Canada as a good basis for future work and noted that the proponents had taken into account other Members' views on what could be possible. The US further stressed that, to ensure a balanced outcome, all pillars should be considered and negotiated in parallel, including market access, which was particularly important for the US. Finally, the US added that an outcome on cotton had to be considered in the context of the broader negotiations on domestic support.

9. The EU welcomed the adoption of the UN resolution proclaiming 7 October as World Cotton Day. In the context of preparations for MC12, the EU fully supported the draft text proposed by the Chair as a basis for further work and viewed that transparency and development assistance should be the focus of discussions on cotton. The EU considered that the joint proposal JOB/AG/213 included good ideas on the way forward, including the suggestion to incorporate the cotton questionnaire in G/AG/2. The EU reiterated its position that an outcome on transparency should be useful and not overly burdensome and existing notification requirements should be complied with before imposing new obligations. The EU expressed once again its openness to discuss its proposal as well as any other practical ideas which would improve transparency without increasing the administrative burden of Members.

10. China recalled its support for the Chair's draft text and repeated its well-known call for eliminating AMS entitlements beyond *de minimis*. On transparency, China disagreed with the EU proposal to include the cotton questionnaire in G/AG/2. In its view, until Members are fully confident with the availability of the data required in the questionnaire, responses to the questionnaire should continue to be provided on a voluntary basis.

11. Brazil considered the draft decision on cotton contained in the Chair's text as a sound basis for a decision on trade-related aspects of cotton at MC12. Although Brazil remained of the view that all forms of trade-distorting support should be addressed, including those covered by Article 6 of the Agreement on Agriculture, due to time constraints, it considered a framework that sets guidelines and principles for reform as the best alternative for a result on domestic support at MC12 which could also benefit cotton.

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<sup>5</sup> Document TN/AG/GEN/51 - TN/AG/SCC/GEN23 circulated on 8 September 2021.

<sup>6</sup> Document JOB/AG/213 circulated on 26 July 2021.

12. The **International Cotton Advisory Committee (ICAC)**<sup>7</sup> updated Members on the latest developments in the global cotton market, including trends in world cotton production, consumption, and trade, as well as the evolution of global assistance to cotton production and the correlation between subsidies and prices.

13. In relation to ICAC's finding on the negative correlation between subsidies and cotton prices, Turkey asked if ICAC had further analysis, including on the effects of subsidies on specific countries. ICAC referred to its annual publication on global assistance to cotton production which would provide Turkey with more details. Turkey also enquired about the reason for the increase in cotton consumption during the pandemic. ICAC responded that the increase was due to rising demand for textile and apparels, particularly linked to increased online purchases of garments during lockdowns.

14. China asked what major constraints were faced by LDCs and the C-4 in producing and exporting cotton. ICAC noted that several factors, including prices and quality of cotton, could play a role in Africa's cotton production and exports. For example, low cotton prices, along with the COVID-19 pandemic, caused a significant drop in cotton production in Mali as farmers decided to grow other crops for which prices were more attractive. ICAC also noted that African cotton producers should meet various international standards such as sustainability requirements to make their products marketable.

15. The Secretariat introduced the updates and highlights of the **revised background paper**<sup>8</sup> and addenda.<sup>9</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.

16. 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. I invited all Members – and in particular key cotton actors – to be more forthcoming in sharing information on recent policy developments.

17. The EU echoed my comments and drew Members' attention to the importance of the cotton questionnaire as a source of additional information and invited Members who have not yet done so, especially key cotton players, to respond to the questionnaire. The EU also encouraged Members to provide timely and accurate notifications to the WTO.

18. Under the new agenda item "**COVID-19 and Cotton**", which was added to the agenda as a standing item following Members' endorsement of the C-4 proposal at the May 2021 Dedicated Discussion, the WTO Secretariat presented the main findings of a new study<sup>10</sup> on the impact of COVID-19 on a sample of cotton-producing LDCs. The Secretariat noted that the study was prepared in response to the C-4 request and with inputs from several established WTO partners, in particular the ICAC. The study is also intended to inform discussions at an upcoming "[High-Level Partners' Conference](#)", scheduled to take place virtually in the margins of MC12 on 30 November 2021, with the aim of supporting LDCs' efforts to mobilize technical and financial resources for the implementation of development assistance projects targeting cotton and its value chains as a means to support the achievement of various sustainable development objectives.

19. I thanked the Secretariat, Members, the ICAC and other partner organizations that contributed to the study. I noted that the study provides a good basis for understanding the impacts of the pandemic on cotton and its value chains in LDC countries from an economic, social and environmental point of view. It also includes a comprehensive summary of the actions taken thus

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<sup>7</sup> ICAC's presentation can be found on [https://www.wto.org/english/tratop\\_e/agric\\_e/agenda\\_item\\_3ia\\_icac\\_presentation\\_production\\_and\\_trade\\_nov\\_2021\\_final.pdf](https://www.wto.org/english/tratop_e/agric_e/agenda_item_3ia_icac_presentation_production_and_trade_nov_2021_final.pdf).

<sup>8</sup> The presentation can be found on [https://www.wto.org/english/tratop\\_e/agric\\_e/agenda\\_item\\_3ib\\_secretariat\\_presentation\\_of\\_gen34r15.pdf](https://www.wto.org/english/tratop_e/agric_e/agenda_item_3ib_secretariat_presentation_of_gen34r15.pdf).

<sup>9</sup> Documents TN/AG/GEN/34/Rev.15 - TN/AG/SCC/GEN/13/Rev.15, TN/AG/GEN/34/Rev.15/Add.1 - TN/AG/SCC/GEN/13/Rev.15/Add.1 and TN/AG/GEN/34/Rev.15/Add.2 - TN/AG/SCC/GEN/13/Rev.15/Add.2, dated 22 October 2021.

<sup>10</sup> Document TN/AG/SCC/W/40 - WT/CFMC/W/97 circulated on 11 November 2021.

far by governments covered by the study and international institutions as well as recommendations from LDCs' public and private stakeholders to support the recovery and relaunch the sector. This information is not only relevant to our discussions in this forum but will also shed light on our work towards MC12 and after the conference. I also welcomed the upcoming Partners' Conference and hoped that this high-level platform would help LDCs secure further technical and financial assistance for the implementation of cotton development assistance projects.

20. The C-4 welcomed the study and noted that it confirmed, with supporting statistics, that the COVID-19 crisis continued to have disastrous effects on the welfare and export earnings of the 10 LDCs reviewed. The C-4 stated that the pandemic led to continued fall of cotton prices, which had already been declining since 2018, and consequently cotton planted area and production had decreased on average by 16% and 18%, respectively, in 2019 and 2020, for the 10 sample LDCs. This had resulted in a decrease of 34% in cotton exports between 2019 to 2020, which represented a shortfall of more than USD 500 million in terms of export earnings. In light of these observations, the C-4 called for development partners' support to find a lasting solution to address the concerns of cotton farmers in LDCs and build a strong and resilient post-pandemic economy. The C-4 reiterated its invitation to all partners to participate in the Partners' Conference to discuss the challenges faced by the cotton sector and needed solutions.

21. The ICAC presented<sup>11</sup> on the impact of the COVID-19 pandemic on the global cotton sector and its view on how the sector could recover. Chad noted that some C-4 countries had managed the crisis relatively well while the situation was disastrous for others such as in Chad and Mali. Chad asked if the poor response to the pandemic was due to structural defects or any economic factors and what measures Chad and Mali could take to revive their cotton sectors. The ICAC reiterated the role that cotton prices play in determining production levels and noted that when prices are low governments could implement price support measures to incentivize farmers to plant cotton. ICAC also pointed to yields as another factor that influences output. Increasing yields in African countries, particularly in countries like Chad where yields are extremely low compared to the world average, could be a good way to increase production. ICAC informed Members of its project in Chad aimed at doubling yields and reported that results of the first year showed an increase in yields of up to 45% in the model farm.

22. Before closing the meeting, I invited the Secretariat to share some updates on its initiatives to enhance the **Cotton Portal**. The Secretariat informed Members that, following the user survey introduced at the last Dedicated Discussion, it is still exploring together with the ITC how to improve the Portal, and attract more regular users with cost-effective and accessible cotton-related data. The Secretariat invited Members to continue contributing to the survey and to share their views on how to enhance the dissemination of this tool to the private sector, especially in developing countries.

23. Chad welcomed the initiative and underlined the importance of the tool for providing useful information. Despite the challenges to access the platform due to lack of internet connectivity in some areas, Chad noted that the Portal was widely used in its country by different stakeholders in the cotton sector as well as university students for their research work. Chad encouraged the Secretariat to continue efforts to update the platform with additional information such as the survey on the COVID-19 pandemic and the presentations made during Dedicated Discussions.

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<sup>11</sup> This presentation can be found on [https://www.wto.org/english/tratop\\_e/agric\\_e/agenda\\_item\\_4ii\\_icac\\_presentation\\_covid-19\\_final.pdf](https://www.wto.org/english/tratop_e/agric_e/agenda_item_4ii_icac_presentation_covid-19_final.pdf).