



11 October 2017

(17-5388)

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Committee on Agriculture
Special Session
Sub-Committee on Cotton

Original: French/English

WTO NEGOTIATIONS ON AGRICULTURE

COMMUNICATION FROM THE CO-SPONSORS OF THE SECTORAL INITIATIVE IN FAVOUR OF COTTON¹

The following communication, dated 6 October 2017, is being circulated at the request of Mali on behalf of the four co-sponsors of the Sectoral Initiative in Favour of Cotton (C-4).

DRAFT MINISTERIAL DECISION ON COTTON OF 13 DECEMBER 2017

The *Ministers*,

Stressing the vital importance of cotton to the economies of African cotton-producing countries in general and those of the least developed countries (LDCs) in particular, and noting that over the past few years cotton has been one of the most contentious issues at the WTO, both in the trade negotiations and in the framework of the dispute settlement process;

Recalling that domestic support for cotton by some WTO Members distorts prices and disrupts the international cotton market, with severe consequences for the economy and social life in African cotton-producing countries, especially LDCs;

Recalling that the C-4 has several times stressed the need for progress as regards the commitment of WTO Trade Ministers and has shown its good will in seeking to build a credible consensus through negotiation;

Taking account of Article 20 of the Agreement on Agriculture, which recognizes the importance of fundamental reform of the agriculture sector;

Recalling and reaffirming the mandate and principles set out in paragraph 13 of the Doha Ministerial Declaration (WT/MIN(01)/DEC/1);

Expressing their concern at the lack of progress in the negotiations on this third pillar of cotton due to the absence of political will and genuine commitment on the part of certain players in the trade component of this vital issue since 2003, when the Sectoral Initiative in Favour of Cotton was submitted to the World Trade Organization;

Referring to the Decisions adopted on Cotton and contained, respectively, in the Package of July 2004 (WT/L/579 of 2 August 2004), which aimed to address cotton ambitiously, expeditiously, and specifically; the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC of 22 December 2005), in particular paragraphs 11 and 12 on cotton; the Revised Draft Modalities for Agriculture (TN/AG/W/4/Rev.4 of 6 December 2008); and the Bali Decision (WT/MIN(13)/41-WT/L/916 of 11 December 2013);

Recalling the Decision on Cotton adopted at the 10th WTO Ministerial Conference in Nairobi (WT/MIN(15)/46-WT/L/981), which emphasizes, *inter alia*, the efforts to be made by Members in

¹ Benin, Burkina Faso, Mali and Chad.

order to achieve the objectives of eventual total elimination of all forms of support for cotton with market distorting effects;

Recognizing the incremental progress achieved on issues relating to market access, export competition and the development component at the 10th WTO Ministerial Conference held in Nairobi in December 2015;

Confirming that Members genuinely recognize that the problem of reducing support and protecting cotton producers has not yet been effectively addressed and that it is necessary to obtain concrete, substantial and measurable results in respect of domestic support; and

Without prejudice to the overall conclusion of the negotiations on agriculture in the framework of the Doha Development Agenda;

Decide as follows:

1 TRADE COMPONENT

1.1 Limit on overall trade-distorting support (OTDS) for cotton: AMS, Blue Box and *de minimis*

1. Trade-distorting domestic support for cotton (AMS, Blue Box, *de minimis*) shall be **limited as follows**:

- a. Developed country Members:
 - i. Where the final bound total Aggregate Measurement of Support (AMS) is greater than US\$40 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 90%;
 - ii. where the final bound total AMS is greater than US\$15 billion and less than or equal to US\$40 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 80%;
 - iii. where the final bound total AMS is less than or equal to US\$15 billion, or the equivalent in the monetary terms in which the binding is expressed, the rate of reduction shall be 70%.
- b. The reduction in AMS support for cotton applicable to developing country Members with final bound total AMS commitments shall be two thirds (2/3) of the reduction applicable for developed country Members, in accordance with paragraph (a) above.
- c. The reduction percentages provided for in paragraphs (a) and (b) are applied to the base value of support calculated as the arithmetic average of the amounts notified by Members for cotton in supporting tables DS:3 and DS:4 from **2009 to 2013**.
- d. Developed country Members and developing country Members shall refrain from granting cotton producers a cumulative amount of AMS support and support falling within the scope of Article 6.5 of the Agreement on Agriculture that exceeds the monetary limit that would result from the application of the *de minimis* entitlements under Article 6.4 of the Agreement on Agriculture.

2. Further to Article 6.5 of the Agreement on Agriculture, any direct payment made, where appropriate, under production-limiting programmes in favour of cotton producers, shall be included in the limit for cotton as specified in paragraph 1 above.

1.1.1 Green Box support

3. Further to Article 20 and Annex 2 of the Agreement on Agriculture, WTO Members shall not provide support in favour of cotton producers that meets the criteria set forth in paragraphs 5 to 13 of Annex 2 of the Agreement on Agriculture.

1.1.2 Other provisions

4. The AMS and *de minimis* commitments and those relating to Blue Box and Green Box support for cotton referred to in the preceding paragraphs form an integral part of the GATT 1994.

5. Least developed country (LDC) Members shall not be required to enter into reduction commitments.

1.1.3 Implementation period

6. Commitments undertaken with regard to AMS, *de minimis* and Blue Box support for cotton shall apply at the date of adoption of this Decision for developed country Members and within five (5) years from the date of adoption of this Decision for developing country Members.

7. Commitments undertaken with regard to Green Box support for cotton shall apply within a period of two (2) years from the date of adoption of this Decision for developed country Members and within a period of five (5) years from the date of adoption of this Decision for developing country Members.

1.1.4 Transparency of Green Box support

8. During the transition period defined in paragraph 7 above, when a Member with final bound total AMS commitments prepares, proposes to adopt or maintains a measure that it declares or will declare to be consistent with paragraphs 5 to 13 of Annex 2 to the Agreement on Agriculture, and which will entail support in favour of cotton producers, the Member concerned:

- a. shall publish promptly all information relating to the measure, if possible by electronic means, in a non-discriminatory and easily accessible manner;
- b. shall promptly notify the Committee on Agriculture of any measure applied or envisaged. The notification to the Committee on Agriculture shall indicate how the information concerning a proposed measure may be obtained so that the interested parties may take cognizance of them. The notification shall include the procedures to publicize the proposed measures, for comments by the interested parties;
- c. shall provide Members with the possibility, without discrimination, to submit their written comments on a proposed measure and shall take those comments into account;
- d. shall publish, in paper form or by electronic means, any comment made or a meaningful summary of the comments made in writing by Members with regard to a proposed measure;
- e. shall publish, in paper form or by electronic means, its replies to the important comments received;
- f. shall notify the proposed measures to the Committee on Agriculture for them to be examined at least twice at the official meetings, prior to their implementation;
- g. at the request of another Member, shall furnish information to show that it has taken or proposes to take into account the basic requirement that the planned measure will have no, or at most minimal trade-distorting effects or effects on production and that it has taken or proposes to take into account the obligation whereby the support in question shall not have the effect of providing price support to producers;
- h. further to Article 18, paragraph 3 of the Agreement on Agriculture, shall supply the following information:
 - a summary of the measure;
 - the base periods and yields;

- the sources where full details may be found;
 - the expected budgetary outlay under each Uruguay Round reform programme;
 - a description of any measures aimed at minimizing the production- or trade-distorting effects of the reform programme;
 - a description of any measures aimed at ensuring that the support in question will not have the effect of providing price support to cotton producers;
 - a practical description of how the reform programme operates, including: the admissibility criteria, the definition of admissibility criteria, the type of cotton covered by the measure (including, where necessary, the corresponding tariff lines), the expected budgetary outlay by product;
 - statistical information concerning: number of admissible producers, average income per producer, average level of production per producer, average yield, average domestic price, domestic consumption, stocks at the beginning and end of the year, value and quantity of imports, and value and quantity of exports, where possible by port of export and country of destination;
 - any other information which the Committee on Agriculture might decide to include.
- i. provide, in its notifications submitted in the DS:1 table series, information on every support measure, including the details of the calculation of support for each measure, the monetary value, by cotton product, of such support, the value of production by product, the total value of agricultural production, the number of producers benefiting from the measure in question, and the sources for the information and data included in the notification.

9. Failure by the developed and developing Members concerned to observe the transparency measures and other provisions prescribed above shall trigger the application of the dispute settlement mechanism.

1.2 Market access

10. Without prejudice to such revisions as Members may adopt by consensus, the question of market access for cotton and cotton-related products shall be addressed in conformity with paragraph 11 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) and paragraphs 1 to 6 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/L/981).

1.3 Export competition

11. Without prejudice to such revisions as Members may adopt by consensus, export competition in relation to cotton shall be addressed as provided for in paragraph 11 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) and paragraph 9 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/L/981).

2 DEVELOPMENT COMPONENT

12. Without prejudice to such revisions as Members may adopt by consensus, the development aspects of cotton shall be addressed as provided for in paragraph 12 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) and paragraphs 10, 11, 12 and 13 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/L/981).

3 IMPLEMENTATION AND FOLLOW UP

13. Without prejudice to such revisions as Members may adopt by consensus, the implementation and follow up of the decisions on cotton shall be addressed as provided for in paragraphs 14, 15 and 16 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/L/981).

ANNEXES

STATISTICS ON DOMESTIC SUPPORT

Table 1 - Cotton, share of world exports (%)

	1986-1990	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
United States	24.2	37.4	37.9	37.4	37.5	36.1	44.5	36.6	36.7	32.5	27.0	27.3
India	2.4	2.4	1.0	6.6	12.1	16.9	6.6	19.1	19.5	22.1	19.1	23.7
Australia	4.8	6.3	5.7	6.5	6.0	3.6	3.3	4.5	5.8	9.2	11.7	11.3
Brazil	2.0	2.4	4.3	4.3	3.2	4.7	8.0	7.4	6.2	8.8	10.1	5.5
Uzbekistan	-	9.2	11.0	11.1	10.3	10.3	5.5	3.3	5.8	2.9	3.4	3.1
Mali	1.5	2.4	3.0	2.8	2.4	1.6	2.1	0.8	0.7	0.9	1.5	3.0
European Union	1.4	3.9	3.8	2.6	3.7	2.0	3.3	4.4	3.1	2.0	3.4	2.9
Burkina Faso	1.0	2.6	2.3	2.1	2.0	2.2	2.1	2.8	2.0	2.1	1.8	2.6
Pakistan	11.5	2.0	1.7	2.3	1.7	1.5	1.9	1.8	2.8	2.8	2.8	2.0
Turkmenistan	-	1.6	1.2	1.4	1.8	1.5	0.9	0.9	1.2	0.5	0.6	1.6
Benin	0.7	2.3	1.7	1.8	0.9	1.7	1.6	1.3	0.8	0.6	1.0	1.5
Côte d'Ivoire	1.6	2.0	1.4	1.4	1.0	0.9	0.8	0.7	1.0	0.8	1.1	1.4
Turkey	2.0	1.9	1.3	1.0	1.3	1.5	1.6	1.2	1.0	1.2	1.1	1.1
Hong Kong, China	1.5	0.9	0.9	0.7	1.2	1.0	0.9	1.1	1.3	0.7	0.7	1.1
Malaysia	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.4	1.3	2.3	1.0

Source: G/AG/W/32/Rev.15 of 5 February 2016, Table 21 (b) – Cotton, share of world exports (%).

Table 2 - Total cotton-specific AMS and Blue Box (millions of dollars)

WTO Member	Average 2006-2010			Average 2008-2013 ¹			Limit according to Rev.4 (millions of dollars) ²	Number of cotton producers
	AMS applied, by product	Blue Box	Total trade-distorting support	AMS applied, by product	Blue Box	Total trade-distorting support		
Brazil	204	0	204	99	0	99	10.1	15,900
China	444	0	444	524	0	524	d.m.	100,000
Colombia	22	0	22	21	0	21	0.4	n.r.
European Union	0	322	322	0	321	321	126	n.r.
India	50		50	83	0	83	d.m.	4 million
Israel	0	0	0	-	0	-	0.22	n.r.
Mexico	7	0	7	4	0	4	0.64	n.r.
Peru	4	0	4	4	0	4	d.m.	n.r.
South Africa	0	0	0	0	0	0	0.91	n.r.
United States	587	0	587	441	0	441	143.54	18,600
Viet Nam	0	0	0	0	0	0	-	n.r.
Total number of notifying WTO Members	1,317	322	1,640	1,176	321	1,497		

Source: Notifications to the WTO, calculations by author (number of cotton producers).

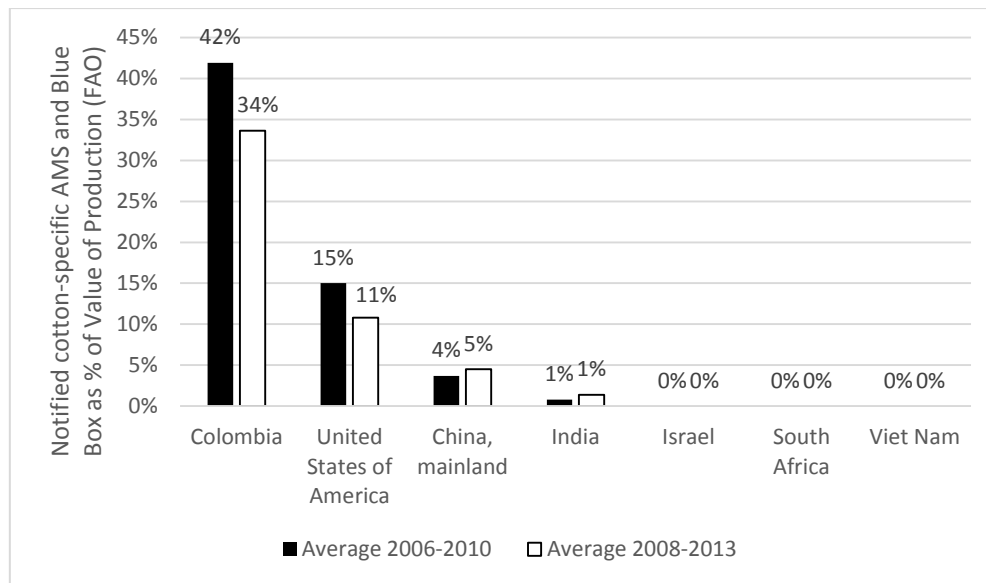
1 The data for the European Union for 2013, and China and India for 2011-2013, are not available.

2 d.m.: The *de minimis* limit equivalent to 10% of the production value (or 8.5% of the production value for China) is applicable. No limit has been calculated for Viet Nam owing to problems in applying the calculation formula set out in document Rev.4.

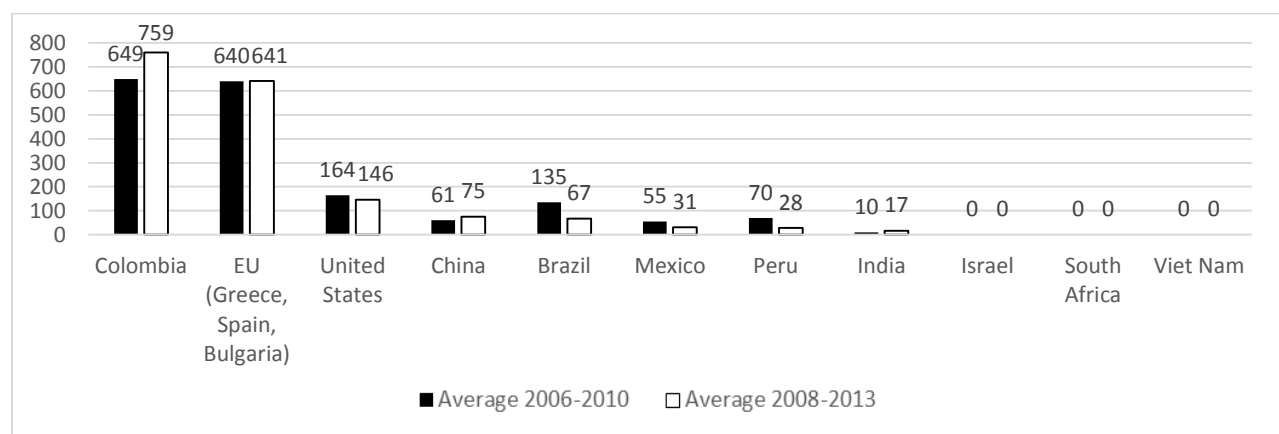
Table 3 – Applied cotton-specific AMS (+ Blue Box for the EU) for Members with AMS entitlements (millions of dollars)

Member	1995-2000	1995-2004	2006-2010	2007-2011	2008-2012	2008-2013	2009-2013	2010-2014	Based on the last 3 available notifications
Brazil	36	34	204	187	119	99	54	54	0
Colombia	1	3	22	20	21	21	22	21	19
Israel	1	0	0	0	0	0	0	0	0
Mexico	2	3	7	6	4	4	4	2	2
South Africa	3	2	0	0	0	0	0	0	0
United States	807	1,151	587	328	414	441	303	464	722
Viet Nam	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	0
EU/AMS	861	814	0	0	0	0	0	0	0
EU/Blue Box	0	0	322	327	321	321	322	327	327
EU/AMS + Blue Box	861	814	322	327	321	321	322	327	327

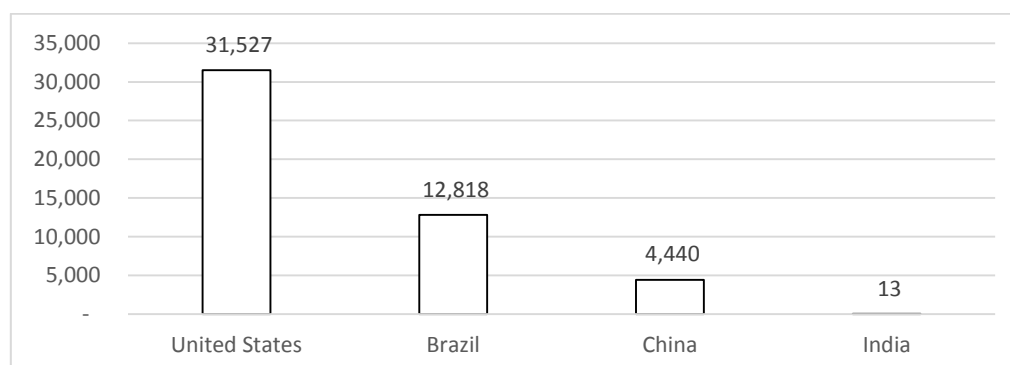
Source: Notifications to the WTO, calculations by author (number of cotton producers).

Chart 1 – Notified cotton-specific AMS and Blue Box, as % of production value

Source: Notifications to the WTO, FAO (production value), calculations by author.

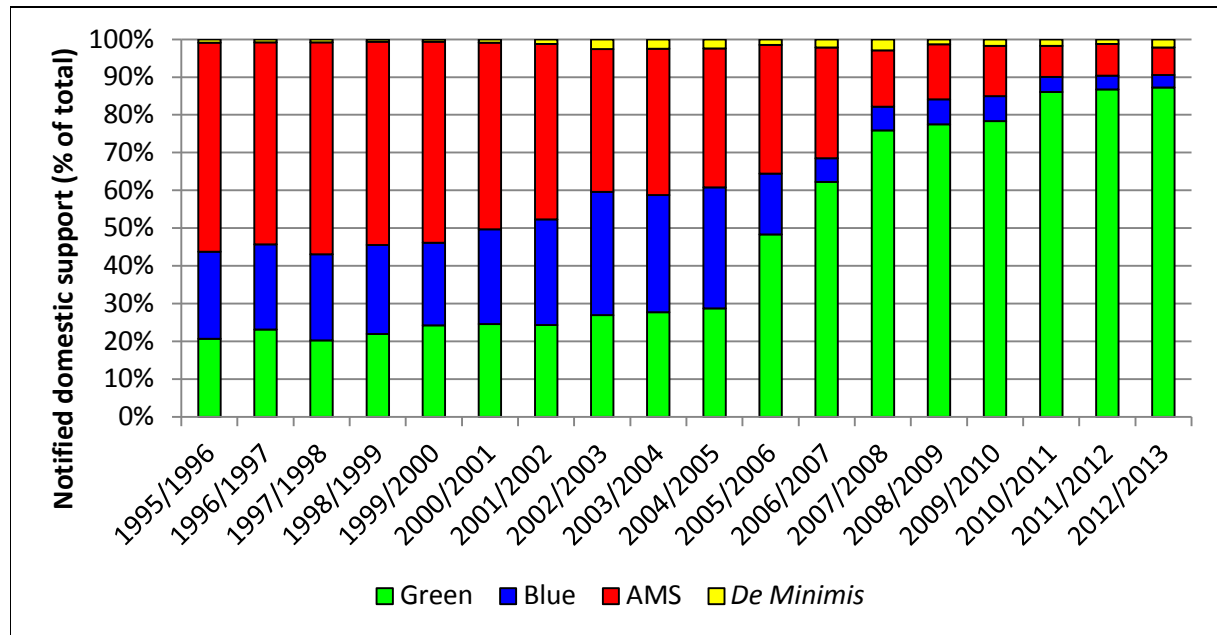
Chart 2 – Applied cotton-specific AMS and Blue Box, per tonne of cotton produced

Source: Notifications to the WTO, ICAC (production volume), calculations by author.

Chart 3 – Applied AMS, per cotton producer (average for 2006-2010)

Sources: ICAC Cotton Fact Sheet – Brazil, https://www.icac.org/econ_stats/country_facts/e_brazil.pdf, ICAC Cotton Fact Sheet – India, https://www.icac.org/econ_stats/country_facts/e_india.pdf, https://en.wikipedia.org/wiki/China_Cotton_Association, <http://www.cotton.org/edu/faq>.

**Chart 4 – EU: Distribution of domestic support between Green Box/
Blue Box/AMS above the *de minimis* level/AMS below the *de minimis* level
(based on notifications submitted to the WTO)**



**Table 4 – Domestic support in the European Union (based on notifications to the WTO),
millions of euros**

Year	Green Box	Blue Box	AMS	De minimis	OTDS (Blue Box, AMS, de minimis)	Total notified domestic support
1995/1996	18,779	20,846	50,181	825	71,852	90,631
1996/1997	22,130	21,521	51,163	761	73,445	95,576
1997/1998	18,167	20,443	50,346	733	71,521	89,688
1998/1999	19,168	20,504	46,947	525	67,975	87,143
1999/2000	21,916	19,792	48,157	554	68,502	90,419
2000/2001	21,848	22,223	43,909	745	66,876	88,724
2001/2002	20,661	23,726	39,391	1,012	64,128	84,790
2002/2003	20,404	24,727	28,598	1,942	55,266	75,670
2003/2004	22,074	24,782	30,891	1,954	57,626	79,700
2004/2005	24,391	27,237	31,214	2,042	60,493	84,884
2005/2006	40,280	13,445	28,427	1,251	43,123	83,404
2006/2007	56,530	5,697	26,632	1,975	34,304	90,833
2007/2008	62,610	5,166	12,354	2,389	19,909	82,519
2008/2009	62,825	5,348	11,796	1,083	18,226	81,051
2009/2010	63,798	5,324	10,883	1,393	17,600	81,398
2010/2011	68,052	3,142	6,502	1,393	11,037	79,088
2011/2012	70,977	2,981	6,859	1,003	10,843	81,820
2012/2013	71,140	2,754	5,899	1,781	10,434	81,574

Chart 5 – United States: Distribution of domestic support between Green Box/Blue Box/AMS above the *de minimis* level/AMS below the *de minimis* level (based on notifications submitted to the WTO)

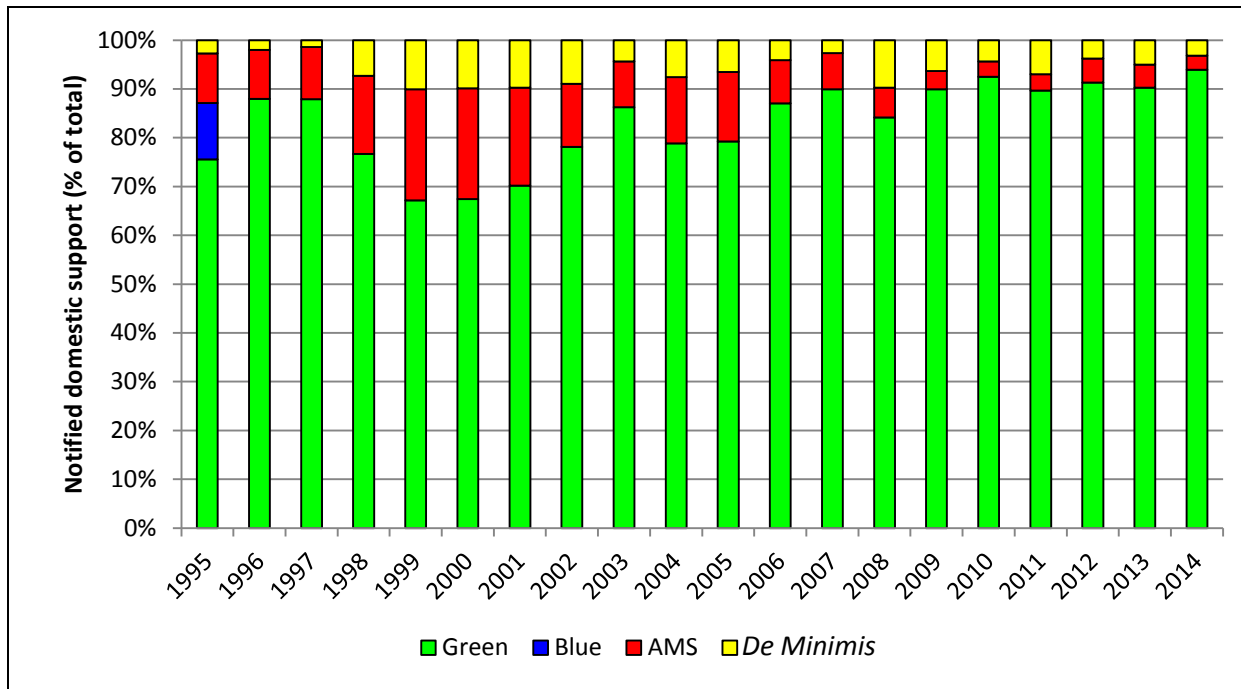


Table 5 – Domestic support in United States (based on notifications to the WTO), millions of euros

Year	Green Box	Blue Box	AMS	<i>De minimis</i>	OTDS (Blue Box, Amber Box, <i>de minimis</i>)	Total notified domestic support
1995	46,041	7,030	6,214	1,643	14,887	60,928
1996	51,825	-	5,898	1,175	7,072	58,897
1997	51,252	-	6,238	812	7,050	58,302
1998	49,820	-	10,392	4,750	15,142	64,962
1999	49,749	-	16,862	7,435	24,297	74,046
2000	50,057	-	16,843	7,341	24,184	74,241
2001	50,672	-	14,482	7,054	21,536	72,208
2002	58,322	-	9,637	6,690	16,328	74,650
2003	64,062	-	6,950	3,237	10,187	74,249
2004	67,425	-	11,629	6,458	18,087	85,512
2005	72,328	-	12,943	5,980	18,923	91,251
2006	76,035	-	7,742	3,601	11,343	87,378
2007	76,162	-	6,260	2,260	8,520	84,682
2008	86,218	-	6,255	9,971	16,226	102,444
2009	103,214	-	4,267	7,258	11,525	114,739
2010	120,531	-	4,119	5,665	9,784	130,315
2011	125,117	-	4,654	9,714	14,368	139,485
2012	127,441	-	6,863	5,272	12,135	139,576
2013	132,511	-	6,892	7,376	14,268	146,779
2014	124,483	-	3,810	4,249	8,059	132,542

Table 6 – EU: AMS and Blue Box by product (millions of dollars)

Year	AMS by product (millions of dollars)	Blue Box by products (millions of dollars)	Subtotal (millions of dollars)
1999	664	0	664
2000	732	0	732
2001	515	0	515
2002	688	0	688
2003	868	0	868
2004	901	0	901
2005	920	0	920
2006	0	319	319
2007	0	339	339
2008	0	318	318
2009	0	308	308
2010	0	328	328
2011	0	342	342
2012	0	311	311

Source: Notifications to the WTO, calculations by author.

Member	Applied AMS 2008-2013 (US\$ million)	Cut (based on AMS cut percentage of Rev.4)	C4 proposed Cotton limit (simplified formula)	Rev.4 limit
Brazil	99	30%	69.3	10.1
Colombia	21	30%	14.7	0.4
Israel	0	30%	0	0.2
Mexico	4	30%	2.7	0.6
South Africa	0	30%	0	0.9
United States	441	60%	176.3	143.6
Viet Nam	0	30%	0	0
EU AMS	0	70%	0	135.2
EU Blue Box	321	70%	96.4x	0
EU AMS + Blue Box	321	70%	96.4x	135.2

Notes: EU does not provide Cotton AMS anymore, most cotton support is currently notified under Blue Box. Here the figures for EU show the situation if C-4 would propose to count Blue Box payment under the limit of paragraph 2. Other Members with AMS entitlements not listed here would have to bind Cotton AMS (+Blue Box) at zero, as they did not provide cotton support during the reference period.

Applied Cotton AMS (+Blue Box for EU) for Members with AMS entitlements

Member	1995-2000	1995-2004	2006-2010	2007-2011	2008-2012	2008-2013	2009-2013	2010-2014	Based on last 3 available notifications
Brazil	36	34	204	187	119	99	54	54	0
Colombia	1	3	22	20	21	21	22	21	19
Israel	1	0	0	0	0	0	0	0	0
Mexico	2	3	7	6	4	4	4	2	2
South Africa	3	2	0	0	0	0	0	0	0
United States	807	1,151	587	328	414	441	303	464	722
Viet Nam	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	0
EU AMS	861	814	0	0	0	0	0	0	0
EU Blue Box	0	0	322	327	321	321	322	327	327
EU AMS + Blue Box	861	814	322	327	321	321	322	327	327

Cotton AMS limits based on different reference periods maintaining the percentage cut of Rev.4 (paragraph 54 and 57) – i.e. 71.85% cut for developing countries, 82.2% cut for US and 84.3% cut for EU

Member	1995-2000	1995-2004	2006-2010	2007-2011	2008-2012	2008-2013	2009-2013	2010-2014	Last 3 years where is data available
Brazil	10.1	9.6	57.4	52.7	33.5	27.9	15.1	15.1	0
Colombia	0.4	0.9	6.3	5.6	6.0	5.9	6.1	5.8	5.4
Israel	0.2	0.1	0	0	0	0	0	0.0	0
Mexico	0.6	0.8	1.9	1.8	1.2	1.1	1.1	0.7	0.5
South Africa	0.9	0.5	0	0	0	0	0	0	0
United States	143.6	204.7	104.3	58.4	73.6	78.4	53.8	82.6	128.4
Viet Nam	0	0	0	0	0	0	0	0	0.0
EU AMS	135.2	127.8	0	0	0	0	0	0	0
EU Blue Box	0	0	50.6	51.3	50.5	50.5	50.6	51.3	51.3
EU AMS + Blue Box	135.2	127.8	50.6	51.3	50.5	50.5	50.6	51.3	51.3