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Page: 1/4

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

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AGRICULTURE NEGOTIATIONS AT THE WTO**COMMUNICATION BY THE CO-SPONSORS OF THE SECTORAL INITIATIVE ON COTTON¹***Revision*

The following communication, dated 16 September 2019, is distributed at the request of the delegation of Benin on behalf of the co-sponsors of the Sectoral Initiative on Cotton (C4).

DRAFT MINISTERIAL DECISION ON COTTON

The Ministerial Conference,

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

Noting that domestic support for cotton by certain WTO Members distorts prices and disrupts international cotton markets, with severe consequences for the economy and society in African cotton-producing countries, in particular the LDCs,

Recalling that the Cotton Four (C4) has stressed on several occasions the need for progress as regards the commitment of the WTO Trade Ministers and has shown its goodwill in seeking to build a credible consensus through negotiation,

Having regard to Article 20 of the Agreement on Agriculture, which recognizes the importance of initiating a process of reform of the agricultural sector,

Recalling and reaffirming the mandate and the principles outlined 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),

¹ Benin, Burkina Faso, Chad and Mali.

Recalling the Decision on Cotton adopted at the Tenth WTO Ministerial Conference in Nairobi (WT/MIN(15)/46-WT/L/981), which emphasizes that more efforts remain to be made by Members to attain the ultimate objective of total elimination of all forms of market-distorting support for cotton,

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

Recalling the status report of the WTO Director-General on multilateral trade negotiations at the Eleventh Ministerial Conference held in Buenos Aires in December 2017,

Confirming that the Members genuinely recognize that the issue of domestic support for cotton remains to be handled effectively, and that concrete, substantial and measurable results in this area are needed,

Without prejudice to the overall outcome of the negotiations on agriculture within the framework of the Doha Development Agenda,

Decides as follows:

A. TRADE COMPONENT

1 DOMESTIC SUPPORT

1.1 Limits on the Aggregate Measurement of Support (AMS)

The Aggregate Measurement of Support to cotton² shall be limited according to the following modalities:

- (a)
 - i. Where the Final Bound Total Aggregate Measurement of Support (AMS) is greater than USD 2 billion or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 40%;
 - ii. Where the Final Bound Total Aggregate Measurement of Support (AMS) is greater than USD 1 billion and less than or equal to USD 2 billion, or the equivalents in the monetary terms in which the binding is expressed, the reduction shall be 35%;
 - iii. Where the Final Bound Total Aggregate Measurement of Support (AMS) is less than or equal to USD 1 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 30%.
- (b) Reduction of the AMS support for cotton applicable to developing country Members who have made commitments towards the Final Bound Total AMS shall be two thirds (2/3) of the reduction applicable to developed country Members, pursuant to the provisions of paragraph (a) above.
- (c) The reduction percentages foreseen 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 all cases, the AMS level shall remain lower than or equal to the *de minimis* level established by virtue of Article 6.4 of the Agreement on Agriculture.

² This is the average amount of Aggregate Measurement of Support notified by Members over the past three (3) years.

1.2 *De minimis*

- (d) Developed and developing Members shall not grant an accumulated amount of AMS support and support falling within the scope of Article 6(5) of the Agreement on Agriculture to cotton producers exceeding the limit on the monetary amount that is derived from application of *de minimis* rights established by virtue of Article 6(4) of the Agreement on Agriculture.

1.3 Blue Box support

The level of reduction of Blue Box support for cotton is set at 2/3 of the average level of support for this category over the past three (3) years.

1.4 Other measures: Transfer of support from one box to another

Members shall avoid granting support for cotton with distorting effects under a category of support that is intended to have minimum or no effect as this practice is likely to impede a clear assessment and evaluation³ of the types of support for which reduction commitments shall be made.

The LDCs shall not be bound to reduction commitments.

1.5 Implementation period

AMS cotton commitments shall be implemented over five (5) years, starting from 1 January 2021, according to the following schedule:

- ***Where the Final Bound Total Aggregate Measurement of Support (AMS) is greater than USD 2 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 40%.***
 - 8% each year over a period of five (5) years, starting from 1 January 2021 until 31 December 2025.
- ***Where the Final Bound Total Aggregate Measurement of Support (AMS) is greater than USD 1 billion and less than or equal to USD 2 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 35%.***
 - 7% each year over a period of five (5) years, starting from 1 January 2021 until 31 December 2025.
- ***Where the Final Bound Total Aggregate Measurement of Support (AMS) is less than or equal to USD 1 billion, or the equivalent in the monetary terms in which the binding is expressed, the reduction shall be 30%.***
 - 6% each year over a period of five (5) years, starting from 1 January 2021 until 31 December 2025.

1.6 Green Box: surveillance, notification and transparency

In addition to Article 20 and Annex 2 of the Agreement on Agriculture, WTO Members shall not grant support to cotton producers that meet the criteria indicated in paragraphs 5 to 13 of Annex 2 of the Agreement on Agriculture.

Green Box support measures granted to cotton shall have minimal or no distorting effects on the cotton production and export market.

³ It is noted that Green Box support that should have minimum or less trade-distorting effects nevertheless remain trade-distorting in different respects, and should thus be categorized as Blue or Orange Box measures, depending on the type of activity for which this support is granted.

Members are encouraged to ensure effective surveillance of Green Box support measures and are urged to respect their notification obligations as part of requisite transparency.

2 MARKET ACCESS

Without prejudice to possible consensual revisions that the Members may adopt, market access for cotton and its by-products shall be handled as provided for in paragraph 11 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) and in paragraphs 1 to 6 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/L/981).

3 EXPORT COMPETITION

Without prejudice to possible consensual revisions that the Members may adopt, export competition aspects of the cotton issue shall be handled as provided for in paragraph 11 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) and in paragraph 9 of the Nairobi Ministerial Decision (WT/MIN(15)/46-WT/L/981).

B. DEVELOPMENT COMPONENT

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

C. IMPLEMENTATION AND FOLLOW-UP

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