COTTON IN THE WTO

81st ICAC Plenary Meeting, Mumbai, India

Tuesday 5 December 2023
Sixth Breakout Session: International Organizations, initiatives and projects concerning cotton
OUTLINE


2. Cotton Trade and Negotiations.

3. Cotton Development Assistance.

4. Special Cotton Initiatives and Latest Developments.
HISTORY OF THE COTTON ISSUE IN THE WTO: MANDATE, TIMELINES AND MILESTONES
Timeline: Mandate and Milestones

- **2003**: C-4 Sectoral Initiative on Cotton
- **2004**: "July Package": General Council acknowledgment and inclusion of cotton initiative in the Doha Round
- **2005**: Hong Kong Ministerial Declaration
- **2008**: Revised Draft Modalities
- **2013**: Bali Ministerial Decision
- **2015**: Nairobi Ministerial Decision
- **2024 (February)**: 13th WTO Ministerial Conference in Dubai (MC13): potential outcome on cotton
Cancun Ministerial Conference

- Based on a proposal by the “Cotton Four” (C-4) - Benin, Burkina Faso, Chad and Mali.

- Their proposal developed into two documents for the Ministerial Conference (WT/MIN(03)/W/2 and WT/MIN(03)/W/2/Add.1).

- No conclusion due to a failure to agree on the whole Doha Round package.

July Package

- The General Council Decision (WT/L/579) referred to cotton in both the main text and Annex A (the framework for agriculture).

- Members considered the cotton initiative to be important in two aspects: trade and development.

- They agreed to address cotton “ambitiously, expeditiously and specifically”, and within the three pillars of market access, domestic support and export competition.
2005

Hong Kong Ministerial Decision

• All forms of export subsidies for cotton would be eliminated by developed countries in 2006.

• Developed countries would allow cotton from least developed countries to be imported duty-free and without quotas.

• Trade-distorting domestic subsidies for cotton would be reduced more ambitiously than for other agriculture and farm products.

2008

Revised Draft Modalities

• In December 2008, the fourth revision of a draft for concluding negotiations on agricultural reform, (a.k.a. “Rev.4” - TN/AG/W/4/Rev.4) was circulated to Members.

• It included various proposals for reform such as the C-4’s formula for reducing trade distorting subsidies and domestic support in the cotton sector.

• To date, this draft has not been agreed to.
2013

Bali Ministerial Decision

• Following a proposal by the C-4 for increased transparency and information, Members agreed to hold twice-yearly discussions on cotton.

• The discussions began in June 2014 and rely on factual information compiled by the WTO Secretariat from notifications and any additional information provided by Members.

2015

Nairobi Ministerial Decision

• Duty-free and quota-free market access for exports by LDCs of cotton and cotton-related agricultural products.

• Implementation of the Nairobi Decision on Export Competition regarding cotton immediately by developed countries and by 1 January 2017 for developing countries.

• Extension of the transparency and monitoring process initiated at the Bali Ministerial Conference.

• More efforts to be made on domestic support reform.
COTTON TRADE & NEGOTIATIONS
Main Cotton Trade Challenges:

A distorted market
The cotton market is one of the most distorted in what is already an extremely distorted trade in agricultural products. These distortions are due to:

Subsidy programs in many countries:
The high level of subsidies granted by the developed countries and certain developing countries to cotton production pushes production volumes much higher than what the market can absorb, hence, leading to price cuts.
*E.g.: The production of cotton in West Africa is 50% cheaper than in developed countries (specifically the EU and US).

Other, including:
Changes in technology, extensive productivity gains, price competition from artificial/mixed fibres, and exchange rate movements.

Therefore, creating a fair and undistorted international cotton trade market would revive prices to a level where the cotton-dependent countries could restore the much-needed earnings from the sector.
### Domestic Support:

| Green Box                                      | Allowed for both developed and developing countries without limits because it does not distort trade or causes minimal distortion.  
|                                               | Includes government service programmes direct payments, and special treatment for developing countries. |
| Amber Box                                      | Distorts trade by encouraging overproduction and is subject to reduction commitments.  
|                                               | Calculated as “aggregate measurement of support” (AMS). |
| Blue Box                                       | Reduce the impact of Amber Box support through constraints on production or other conditions designed to reduce the distortion. |

*NB: Reduction commitments are legally binding promises by Members to cut tariffs and subsidies.*
Domestic Support:

| **De minimis**          | • Amber Box (trade distorting) support in minimal amounts.  
|                         | • Currently limited to 5% of the value of production for developed countries, and 10% for developing. |
| **Aggregate Measurement of Support (AMS)** | An annual figure comprising of all support by a Member for farmers and other producers, except support that does not have to be reduced or is allowed without limits. |
| **Equivalent Measure of Support** | Used when AMS cannot e.g., where it is not possible to calculate a Member’s product-specific AMS. |

*NB: Members without reduction commitments on export subsidies and trade-distorting domestic support cannot subsidize exports at all and can only use trade-distorting support up to de minimis levels.*
WTO Negotiation Fora and Formats:

- TRADE NEGOTIATIONS COMMITTEE, GENERAL COUNCIL
- SPECIAL SESSIONS OF THE COMMITTEE ON AGRICULTURE
- COTTON SUB-COMMITTEE
- QUAD AND QUAD+ FORMATS
Dedicated Discussions on the Trade-related Aspects of Cotton:

- Dedicated discussions are an outcome of the December 2013 Bali Ministerial Conference subsequently reconfirmed by the December 2015 Nairobi Ministerial Decision on Cotton, where ministers agreed “to enhance transparency and monitoring in relation to the trade-related aspects of cotton”.

- Dedicated Discussions rely on factual information compiled by the WTO Secretariat from notifications and other information provided by WTO members, as well as other sources such as presentations by ICAC on cotton markets trends. The discussions are aimed at informing the negotiations on this topic.
COTTON DEVELOPMENT ASSISTANCE
The Director-General’s Consultative Framework Mechanism on Cotton (DGCFMC), is the only existing global forum to discuss developing countries’ needs and priorities for cotton sector developments.

Its main purpose is to:

- **Facilitate matchmaking** between the cotton technical assistance needs of developing countries and the offer of DA programmes, as well as **ensure coordination** of relevant actions by donors and technical partners from both the public and private sectors.

- **Monitor** cotton development assistance activities by donor countries and international agencies using the “Evolving Table”.
The Evolving Table is:

- A dynamic monitoring tool, unique in the world of commodities, for statistical and time series analysis of cotton trade and development support data. It is prepared by the WTO Secretariat based on notifications received, and updated twice a year.

Why monitor development assistance?

- To ensure relevant matches between identified needs and assistance offered
- To bridge the gap between commitments and disbursements
- To gauge the pace of operational implementation
- To follow the calendar for commitments, disbursements and operational implementation
Recent trends recorded by the Evolving Table

In the latest revision of the ET, the total value of active cotton-specific projects under Part I "Cotton-specific development assistance" increased to **over 355 million USD**, from the 277 million USD recorded in the previous revision. The total number of active projects under Part I also increased to 37 (up from 31 in the previous revision). This confirms a trend recorded across the last four revisions of the ET.

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**ET - ACTIVE PROGRAMMES**

- **Agriculture and infrastructure programmes (USD)**
- **Cotton-specific programmes (USD)**
## Latest Evolving Table: 7 new projects in Part I

<table>
<thead>
<tr>
<th>France &amp; The European Union</th>
<th>Project title</th>
<th>Commitments</th>
<th>Status</th>
<th>Disb.</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Modernisation de l’outil industriel de la Sodécton et transition énergétique</td>
<td>EUR 39 600 000 (dont 9 600 000 de fonds délégués à l’AFD par l’Union Européenne)</td>
<td>IP 2023-2028</td>
<td>EUR 0</td>
<td>Cameroon – Prêt non souverain à la Société de développement du coton du Cameroun (SODECOTON)</td>
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<thead>
<tr>
<th>Netherlands</th>
<th>Project title</th>
<th>Commitments</th>
<th>Status</th>
<th>Disb.</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>WWF Agroforestry Program</td>
<td>EUR 562,859</td>
<td>IP 2021-2025</td>
<td>EUR 280,020</td>
<td>Pakistan</td>
</tr>
<tr>
<td>3</td>
<td>Semiarid Sustainable Landscape Program</td>
<td>EUR 3.000.000</td>
<td>2022-2027</td>
<td>EUR 500.000</td>
<td>Brazil</td>
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<tr>
<td>4</td>
<td>Regenerative Production Landscape Collaborative</td>
<td>EUR 3.000.000</td>
<td>2021-2026</td>
<td>EUR 1.000.000</td>
<td>India</td>
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</tbody>
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<thead>
<tr>
<th>FAQ</th>
<th>Project title</th>
<th>Commitments</th>
<th>Status</th>
<th>Disb.</th>
<th>Beneficiaries</th>
</tr>
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<tr>
<td>5</td>
<td>FORTALECIMIENTO DEL SECTOR ALGODONERO POR MEDIO DE LA COOPERACIÓN SUR-SUR</td>
<td>USD 14,400,000</td>
<td>IP 2012-2024</td>
<td>FD</td>
<td>Argentina, Bolivia, Plurinational State of Colombia, Ecuador, Haiti, Paraguay, Peru</td>
</tr>
<tr>
<td>6</td>
<td>IMPLEMENTACIÓN Y CONSOLIDACIÓN DE BUENAS PRÁCTICAS PARA EL DESARROLLO SOSTENIBLE DEL SECTOR ALGODON</td>
<td>USD 4,000,000</td>
<td>IP 2023-2027</td>
<td>USD 484,238</td>
<td>AS ABOVE</td>
</tr>
<tr>
<td>7</td>
<td>PROYECTO + SEMILLAS: MULTIPLICACIÓN Y BANCO DE SEMILLAS NATIVAS DE ALGODÓN Y ALIMENTOS EN COMUNIDADES DE PUEBLOS ORIGINARIOS EN MUNICIPIOS DE CHARAGUA Y GUTIÉRREZ</td>
<td>USD 9,000</td>
<td>IP 2022-2023</td>
<td>USD 3,948</td>
<td>Bolivia, Plurinational State of</td>
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</table>
Special Cotton Initiatives and Latest Developments
Special Initiatives: World Cotton Day

- Established in 2019 under UN resolution A/RES/75/318, following a proposal by the C-4.
- Celebrated annually, on 7 October.
- UNIDO hosted WCD 2023 at its Headquarters in Vienna under the theme: "Making cotton fair and sustainable for all, from farm to fashion".

At this year’s celebrations, the WTO’s DG noted that WCD has established itself as a booster for action in favour of supporting sustainable cotton value chain development in developing countries and LDCs, and called on WTO Members to engage with each other to explore possible landing zones for a concrete outcome on cotton at MC13.
Special Initiatives: FIFA-WTO MoU

- Signed in September 2022 by WTO’s DG Okonjo-Iweala and FIFA’s President Gianni Infantino.
- Contains a joint engagement to support cotton value addition activities in the C-4 and their partner countries.
- Has generated a project and gathered the interest of key stakeholders, including ICAC, Afreximbank, UNIDO, ITC, Better Cotton and several private sector representatives.
Special Initiatives: the Cotton Portal

- Launched in 2017 at the Buenos Aires Ministerial conference jointly by the WTO and the ITC.
- A single entry point for cotton-related information.
- Integrates ICAC statistics, ePing notifications, and WTO/ITC trade databases.
Latest Developments: C-4 Proposal for MC13

• On 10 November 2023, the C-4 and Côte d’Ivoire tabled a revised proposal for a Ministerial Decision on Cotton at MC13.

• The revised proposal focuses on the issue of domestic support; it also contains language aimed at driving WTO cotton development assistance work towards inclusive partnerships.

• Members are currently discussing it; negotiations are on-going.
Thank you!
cottonclub@wto.org