

Committee on Agriculture
Special Session
Sub-Committee on Cotton

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MODALITIES AND DISCIPLINES ON COTTON
IN THE AGRICULTURE NEGOTIATIONS

Communication from the Co-Sponsors
of the Sectoral Initiative in Favour of Cotton

The following communication, dated 15 June 2006, is being circulated at the request of the Co-Sponsors of the Sectoral Initiative in Favour of Cotton.

I. MANDATE

1. The Sixth WTO Ministerial Conference adopted important decisions on cotton. We reaffirm our commitment to the mandate on cotton as set forth in the Framework adopted by the General Council on 1 August 2004 and in the Hong Kong Ministerial Declaration of 22 December 2005. We take note of the report submitted by the Chairman of the Special Session [...] on the progress achieved to date in the agriculture negotiations under the three pillars: reduction of domestic support [...], parallel elimination of all forms of export subsidies [...], improvement of market access [...], and in addressing cotton ambitiously, expeditiously and specifically regarding all trade-distorting policies affecting the sector in all three pillars of market access, domestic support, and export competition.

2. We recall the decisions taken by the Member countries at the Hong Kong Ministerial Conference:

- *All forms of export subsidies for cotton will be eliminated by developed countries in 2006.*
- *On market access, developed countries will give duty and quota free access for cotton exports from least developed countries (LDCs) from the commencement of the implementation period.*
- *Members agree that the objective is that, as an outcome for the negotiations, trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable. We commit ourselves to give priority in the negotiations to reach such an outcome.*

II. COTTON MODALITIES FOR THE THREE PILLARS OF THE AGRICULTURE NEGOTIATIONS

A. MARKET ACCESS

3. The developed countries together with the developing countries that are in a position to do so shall give duty and quota free access for cotton exports from least developed countries (LDCs).

4. The developing countries that are not in a position to give duty and quota free access for cotton exports from LDCs undertake to facilitate their imports of cotton from the LDCs.

5. The developed countries undertake to grant duty and quota free access for cotton exports from the developing countries.

6. These commitments shall be fully applicable as of the conclusion of the negotiations.

B. EXPORT COMPETITION

7. The developed country Members shall notify the legislative and regulatory measures they have adopted in order to fulfil their commitment to eliminate, by 31 December 2006, their export subsidies for cotton, including all of the disciplines applicable to export competition. Their schedules of commitments shall be modified with effect from 31 December 2006.

8. The same commitment shall be made by the developing country Members, applicable as of 31 December 2007 at the latest.

9. This commitment shall apply to all export competition disciplines, such as export credits, credit guarantees, and insurance programmes.

C. DOMESTIC SUPPORT

1. Reduction of AMS (amber box)

10. Reduction in the specific measure of support applicable to cotton shall be determined as follows and using the following formula:

$$R_c = R_g + \frac{(100 - R_g) * 100}{3 * R_g}$$

R_c = Specific reduction applicable to cotton as a percentage

R_g = General reduction in AMS as a percentage

11. The six-year period for the implementation of the results of the Uruguay Round (1995-2000) shall serve as a base period. The amount to which the reduction formula is applied shall be the average of the amounts notified by Members under domestic support specific to cotton in supporting tables DS:4.

2. Blue box

12. The blue box cap applicable to cotton shall amount to one third of the product-specific cap adopted in the framework of the agriculture negotiations.¹

13. Under the "double trigger approach", the trigger based on the proportion of the production value of each product applicable to cotton shall be one third of the trigger for each other product.

14. The basis criteria for the new blue box must necessarily respect the basis criteria for the blue box established by the Uruguay Round, namely the limitation of production and less trade-distorting effects than the AMS measures.

15. In that connection, disciplines shall be developed to monitor compliance with the prohibition on box-shifting of trade-distorting support for cotton.

3. Elimination of all trade-distorting measures

16. The substantial reduction in trade-distorting support for cotton (amber and blue boxes, *de minimis*) must lead over time to the elimination of such forms of support.

17. Members shall negotiate a deadline for such elimination as an element of the single undertaking.

4. Time-limits for implementation

18. The time periods for implementation in the case of commitments relating to cotton that do not enter into force at the date of the conclusion of the Round shall be one third of the respective time periods applicable to agricultural products in general.

III. DEVELOPMENT ASSISTANCE

19. As regards the development assistance aspects of the cotton issue, we recall the commitments made under paragraph 12 of the Hong Kong Ministerial Declaration:

" ... We urge the Director-General to further intensify his consultative efforts with bilateral donors and with multilateral and regional institutions, with emphasis on improved coherence, coordination and enhanced implementation and to explore the possibility of establishing through such institutions a mechanism to deal with income declines in the cotton sector until the end of subsidies ..."

and adopt the following decisions:

- (a) The principle of the creation of a safety net for the cotton producing LDCs is adopted;
- (b) Members agree to instruct their representatives at the World Bank to ask the Bank to hold a meeting of donors in Autumn 2006 and to adopt a programme along with the necessary financing in time for inclusion in the single undertaking at the end of the negotiations.

¹ As a percentage of the production value of the product during the reference period.