

**HIGH-LEVEL SESSION ON COTTON
15-16 MARCH 2007**

Communication from the G-20

The following communication, dated 15 March 2007, is being circulated at the request of the Delegation of Brazil on behalf of the G-20.

1. On the occasion of the WTO High-Level Session on Cotton (Geneva, 15-16 March 2007) and recognizing the links between the elimination of trade-distorting cotton subsidies in developed countries and the promotion of economic and social potential in the developing world, the G-20 reaffirms its full commitment to address cotton ambitiously, expeditiously, and specifically, in the context of the Doha Round.

2. The G-20 firmly believes that cotton is a crucial element of the overall agriculture agreement in the Doha Development Agenda. Four years have elapsed since President Blaise Compaore of Burkina Faso clearly articulated the central elements on cotton: (i) to reduce, with a view to eliminating, support to cotton; and (ii) to adopt, as a transitory measure, a mechanism for the revenue losses in favour of least developed countries (TNC, 10 June 2003).

3. Taking into consideration that cotton comprises high percentages of total exports and GDP for the Cotton-4 nations and accounts for a significant part of rural incomes of poor farmers in the Western and Central Africa region, as well as in other parts of the developing world, the G-20 is concerned about the influence of subsidies on world prices and subsequent influence on the potential of agriculture trade to reduce poverty.

4. The G-20 wants to highlight that trade-distorting subsidies from developed countries are at the root of the critical situation of cotton for developing countries, which is one of the major inequalities in agriculture international trade. Consequently a definitive solution that corrects unfair competition in world markets will have a significant influence on agriculture negotiations in the Doha Development Agenda.

I. MANDATE

5. The G-20 reaffirms its commitment to the mandate of paragraph 4 of Annex A of the July 2004 Framework Agreement to address cotton ambitiously, expeditiously, and specifically in relation to all trade-distorting policies affecting the sector.

6. The Group recalls paragraphs 11 and 12 of the Hong Kong Declaration, which stresses "*the complementarity of the trade policy and development assistance aspects of cotton*". The G-20 also notes the necessity of searching for a "*mechanism to deal with income declines in the cotton sector until the end of subsidies*" and establishing cotton-specific assistance and cooperation programmes geared towards enhancing productivity and efficiency in African cotton-producing countries.

7. The G-20 also recalls its Proposal on Domestic Support (12 October 2005). The work in the Sub-Committee on Cotton needs to be expedited so that early agreement can be reached on effective measures consistent with all aspects related to cotton, in particular regarding domestic support and assistance mechanism, of the Framework Agreement (2004) and the Hong Kong Ministerial Declaration (2005).

II. DOMESTIC SUPPORT

8. The G-20 fully supports paragraph 11 of the Hong Kong Declaration addressing the overall objectives in domestic support: "*(...) 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.*"

9. The Group supports the Cotton-4 proposal regarding the reduction in the specific measure of support applicable to cotton (TN/AG/GEN/22).

10. In order to avoid trade-distorting subsidy concentration on cotton, the G-20 shares the Cotton-4 objective that product-specific AMS cap applicable for cotton shall amount to one third of the final capping resulting from the historical average for that product.

11. The base period for product-specific AMS caps shall be 1995-2000.

12. Similarly, disciplines on blue box support will ensure that such payments are less trade-distorting than AMS measures and include product-specific provisions.

13. The G-20 and the Cotton-4 will work together with a view to address effectively the problem of concentration of subsidies in cotton.

14. Special and differential treatment for developing-country Members shall be properly addressed.

III. EXPORT SUBSIDIES

15. The G-20 recalls the decision taken in Hong Kong regarding the elimination of all forms of export subsidies granted to cotton by developed countries.

IV. DEVELOPMENT ASSISTANCE

16. On the development assistance aspects of cotton, the G-20 supports the Cotton-4 position (TN/AG/GEN/22), under paragraph 12 of the Hong Kong Declaration, in particular with regard to:

- (i) the principle of the creation of a safety net for cotton producing LDCs in Africa;
- (ii) the decision that Members shall instruct their representatives at the World Bank to seek the organization of a Bank's meeting, within the shortest period of time, and to adopt a program along with the necessary financing in time for inclusion in the single undertaking at the end of the Doha Round negotiations; and

- (iii) the supporting mechanism program shall be linked to strengthening the productivity and efficiency of the cotton sector in Africa.

17. In this context, the G-20 recalls that several of its Members have been extending assistance to the G-4 and other cotton-producing countries in Africa. Those countries and other G-20 Members wish to indicate their willingness to explore with beneficiary countries other forms of cooperation, either bilaterally or through the African Union.
