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STATEMENT BY CHINA

The Issue of Cotton Subsidies Raised by some African Countries

The following statement by the delegation of China under Agenda Item 2A at the TNC Meeting of 10-11 June 2003 is being circulated at the request of that delegation.

I would like to thank the President of Burkina Faso and representatives of Benin, Chad and Mali for presenting the paper on cotton trade. My capital attaches great importance to the joint proposal. We have great sympathy and would like to give our full support to the positions and proposals of the four cotton exporting countries, which demonstrated how important and urgent it is to speed up the negotiations on agriculture. We fully welcome their initiative.

However there are some contents concerning China in the paper which need further clarification.

The paper rightly pointed out that China is one of the largest producers of cotton in the world. Yet it refers to China along with the U.S. and the E.U. as a source for causing the loss in export earnings for WCA countries. This is not an accurate statement. Actually, China is a net importer of cotton. According to our Customs, China imported 110,000 tons of cotton with a value of \$84 million in 2001. Its export was no more than 60,000 tons which only represents less than 1% of the world market. So it has very little impact on the world cotton market.

In the first four months of this year, China imported more than 250,000 tons of cotton and Benin and Burkina Faso are among the major suppliers of cotton to China. So China is actually contributing to the increase instead of loss of the earnings for these exporters.

Besides, China's cotton is mainly grown in Xinjiang, Hebei and Shandong provinces where the farmers' income is very low. Due to the financial restraints, the government cannot afford to give them more support and can never reach even a small fraction of the level of support by the OECD countries. In our proposal for agricultural negotiations, we support the substantial reduction of domestic support and the phasing out export subsidies as soon as possible.

As the paper has rightly pointed out, China has eliminated export subsidies to cotton since its accession to the WTO. I hope to make this statement so that people will see this issue from the right perspective.

Having said that, China fully supports the proposal of the paper for a systemic solution to the cotton problem within the framework of the Doha Round negotiations.