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Sub-Committee on Cotton

**IMPLEMENTATION OF THE DEVELOPMENT ASSISTANCE ASPECTS OF THE
COTTON-RELATED DECISIONS IN THE 2004 JULY PACKAGE AND
PARAGRAPH 12 OF THE HONG KONG MINISTERIAL DECLARATION**

**ITEM 2C - COHERENCE BETWEEN TRADE AND DEVELOPMENT ASPECTS:
UPDATE ON THE DEVELOPMENT ASPECTS OF COTTON**

*Report of the 26th Round of the Director-General's
Consultative Framework Mechanism on Cotton¹
23 November 2016*

1 INTRODUCTION

1.1 The 26th Round of the Director-General's Consultative Framework Mechanism on Cotton (DGCFMC) took place on 23 November 2016, under the chairmanship of Deputy Director-General David Shark.

STATEMENT BY THE C4 COORDINATOR

1.2 The Ambassador of Mali, speaking on behalf of the C4 countries and all other cotton-producing countries from ACP, Africa and LDCs, expressed disappointment at the lack of progress in the negotiations on the cotton dossier.

1.3 She made reference to the C4 Ministerial meeting held in Bamako from 26 to 28 October 2016, whereby Ministers reaffirmed the importance of the cotton sector in their countries and made an earnest appeal to eliminate all kind of export subsidies and domestic support for the cotton sector in the run up to the Eleventh WTO Ministerial Conference (MC11) to be held in Buenos Aires, Argentina, in December 2017.

1.4 She expressed concern with the continued drop of international cotton prices which, compounded by high production costs, constituted a high obstacle for African countries to continue reforming their cotton sector and enhancing their competitiveness.

1.5 She thanked North-South and South-South partners for their technical assistance and financial support to develop the cotton sector in Africa. She expressed appreciation to China for its financial support which had made possible the participation of the C4 focal points in the DGCFMC. She encouraged donor countries to facilitate the participation of other LDC cotton sector focal points in the DGCFMC consultations.

1.6 The Ambassador of Benin, speaking on behalf of the LDC Group, stressed that the cotton sector for LDCs in Africa was of utmost importance for their economies. He pointed out that WTO Members should tackle the issue of domestic support for cotton which had not been addressed satisfactorily for the past 14 years. He urged developing country Members to implement the commitments on cotton in relation to export competition as of 1 January 2017.

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

COTTON PRODUCTION AND TRADE TRENDS

1.7 The Executive Director of the International Cotton Advisory Committee (ICAC), Mr. José Sette, informed participants that cotton production in Africa had been rising in recent years and represented 7% share of total world output. He underscored that Africa was heavily dependent on cotton exports, which accounted for 80% of its production. African share of cotton exports had reached 18% in the world in the last season.

1.8 He highlighted that ICAC had launched, in collaboration with the FAO, some pilot experiences under the Expert Panel on the Social, Environmental and Economic Performance of Cotton (SEEP) to measure the sustainability of the cotton sector across a range of countries, by harmonizing data gathering on different costs and evaluating the environmental, economic and social impacts of the global cotton industry.

1.9 He underscored that the net costs of cotton lint production worldwide had fallen from US\$1.50 in 2012/13 to US\$1.16 in 2015/16. He made a detailed presentation on the different components of cotton production (i.e. seeds, fertilizers, pesticides, irrigation, harvesting and ginning) and their concomitant share in the total costs. He presented a comparison of production costs between the top five cotton producers in the world and the principal African producers.

1.10 Responding to some queries from the delegations of Benin, Burkina Faso, Pakistan and Senegal in respect of some statistics, the Executive Director of the ICAC highlighted that, even if some data on a particular country merited to be taken with a great deal of caution, global statistics constituted valid indicators of general trends, such as the evolution of the average costs of production across the most important producers. He stressed that cotton was an important factor in poverty alleviation in Africa. He said that in future presentations the ICAC would be focusing on different policies that could help stimulate value addition in cotton producing countries.

DIRECTOR-GENERAL'S EVOLVING TABLE ON COTTON DEVELOPMENT ASSISTANCE

1.11 The Chairman, in introducing item 4 of the agenda, made reference to the 22nd version of the Evolving Table (ET), circulated on 2 November 2016 and contained in document WT/CFMC/6/Rev.21.

1.12 He informed participants that he had undertaken consultations with major players regarding the structure of the content of the ET, in particular, in connection with Part III of the ET. Part III listed available resources, mainly from the IMF and the World Bank, that could be used to support the cotton sector on the basis of national development or poverty-reduction priorities. It was noted that ascertaining the precise amounts from those available resources that were actually devoted to the cotton sector was a challenging task.

1.13 He highlighted that, following his consultations with several Members on the issue, there was agreement to focus the contents of the ET on committed resources. As a result, he believed it was pertinent to allow the ET evolve again by making it a streamlined and more focused tool, showing development assistance from donors under "committed" resources only, registered in Part I and Part II. Therefore, from the next version onwards, the ET would not have Part III. The information on those "available" resources would be available on the relevant websites of the IMF and the World Bank.

1.14 He invited Mr. Gerardo Melogno, from the Development Division, to show the main updates of the latest version of the ET.

1.15 The representative of the Secretariat (Mr. Gerardo Melogno), reported that the latest version of the Evolving Table had been prepared on the basis of contributions from Australia, Brazil, Canada, France, Japan, the Netherlands and the United States.

1.16 He noted that in Part I of the ET, relating to the ongoing activities of cotton specific development assistance, the number of beneficiaries had remained stable at 31, while the number of commitments had decreased slightly to reach 35. The total value of commitments had decreased from US\$294 million to US\$280 million, while the total value of disbursements had

decreased from US\$115 to US\$99 million. He underscored that the ratio of total disbursements to total commitments had slipped from 39% to 36%.

1.17 With reference to Part II of the ET, concerning ongoing activities under the framework of agriculture and infrastructure-related assistance, he said that the number of beneficiaries had increased to 31 as well as the total number of commitments which had reached 67. The value of commitments had jumped from US\$3.47 billion to US\$4.11 in the revised version. The total value of disbursements had increased to US\$1.88 billion and the ratio of total disbursements to total commitments had decreased to 46%.

1.18 As far as the completed activities were concerned, he said that the total value of commitments in Annex 1, showing finalized activities under cotton specific development assistance, had increased to US\$580 million whereas the actual disbursements amounted to US\$484 million. With respect to the completed activities in Annex 2, under the framework of agriculture and infrastructure-related assistance, total commitments and disbursements had increased to US\$4.29 billion and US\$4.25 billion, respectively.

1.19 While commending the donor community for its latest contributions, the representative of the Secretariat highlighted that there was still room for improvement, in particular, regarding some long-standing activities, for which updates were needed.

1.20 In respect of the notification of National Cotton Sector Focal points, he noted that a minor improvement had been registered whereby their total number had increased to 16. He encouraged other African cotton-producing countries to communicate the names and coordinates of their national focal points to complete the list.

1.21 The representative of Benin made reference to the decreasing ratio of disbursements to commitments in Parts I and II of the ET. He pointed out that several long-standing projects in the ET showed no disbursement and encouraged donor partners to expedite the completion of those activities.

1.22 The representative of Japan intervened to make reference to his country's 19 new projects in Part II of the ET, which showed the continued engagement of Japan in supporting the African cotton sector. He underlined that Japan would sustain supporting the productivity of the agricultural sector and the enhancement of public-private partnerships in Africa in that area.

SOUTH-SOUTH COTTON COOPERATION

1.23 The representative of Brazil underscored that his country had renewed its commitment to provide technical assistance to cotton-producing countries as a tool to promote economic and social development. He pointed out that Brazil had decided to provide support to two projects on cotton submitted by Benin and Mali.

1.24 The representative of China said that his country had continued its current initiatives to provide support to the C4 countries and other LDCs.

1.25 The representatives of Benin, Burkina Faso, Chad and Mali expressed their appreciation to Argentina, Brazil, China, Egypt, India, Pakistan and South Africa for their technical and financial support. The C4 representatives thanked China, in particular, for its financial support in the framework of the recently held Bamako Ministerial Meeting, as well as the participation of the C4 focal points at the DGCFMC meeting.

1.26 The representative of Benin, speaking on behalf of the LDC Group, extended sincere thanks to South-South partners for their collaboration on cotton. He announced that LDCs would be submitting national and regional projects with the objective of improving cotton production, productivity and processing in the cotton value chain. He made reference to the C4 Ministerial Meeting held in Bamako on 26-28 October 2016 whereby the terms of reference of the regional project "Cotton Road" were validated. Speaking for his own country, he referred to the three projects that were generously supported by Brazil for the rehabilitation of lint classification; the reorganization of the cotton sector by zones, and cotton-seed contamination prevention, respectively.

1.27 The representative of Burkina Faso expressed her delegation's gratitude to all its development partners for providing funding and expertise to develop the cotton sector, particularly in the C4 countries. She expressed support for the C4 initiatives such as the "Cotton Road" project, which intended to improve the competitiveness and create sustainable value chains in the cotton sector.

1.28 The representative of Chad thanked the development partners for their support and acknowledged contributions being made by Brazil, China and India. He highlighted a number of recent projects undertaken in Chad such as the building of a soil laboratory supported by Brazil and reinforced cooperation with India, in the area of ginning and setting up of tractor assembly factories. He urged the donor community to support the projects on cotton that have been submitted.

DOMESTIC COTTON SECTOR AND OTHER REFORMS/NATIONAL COTTON SECTOR FOCAL POINTS

1.29 The Chairman invited comments on the latest version of the ET circulated on 2 November 2016 in document WT/CFMC/6/Rev.21. He mentioned that there were new inputs received from Benin and Côte d'Ivoire and that there were updates from Burkina Faso, Chad and Mali on their initiatives. The document indicated that good level of progress was being made by the C4 countries in reforming their domestic cotton sector.

1.30 The representative of Mali explained that up to four million people were involved in the cotton sector in his country. He stated that since the Government relinquished control of the cotton sector in 2010 the yield increased from 852 kg per hectare to more than 1 tonne per hectare in 2015/16. He added that cotton exports increased from 103,000 tonnes in 2014 to 231,000 tonnes in 2015. He specified that his Government currently provided farmers with access to seeds and subsidised fertilizers and tractors. In addition, recently set-up Chinese-owned cotton mills and ginning factories were expected to process up to 25% of Mali's total cotton production for 2016/17.

1.31 The representative of Chad informed the meeting that the cotton sector was currently being affected by a fall in the price and a regional armed conflict in the last two years. He stated that his Government had been restructuring the cotton sector since 2010, and that in 2010/11 the country produced 52,000 tonnes; the production reached 142,000 tonnes in 2014/15. The projected production for 2015/16 and 2016/17 was 180,000 tonnes and 2000,000 tonnes, respectively. The Government's current objective for this sector was to reach 300,000 tonnes by 2017/18. In order to achieve this target, the Central Bank was to guarantee the Central African CFA francs 30 billion to develop logistics and build infrastructure for the next three years. He also expressed confidence that WTO Members could find a solution on trade distorting subsidies in agriculture, which were having a negative impact on the domestic cotton sectors, particularly in the C4 countries.

1.32 The representative of Benin stated that his Government had taken over the management of the domestic cotton sector since 2012, as it was not satisfied with the performance of this sector since its full liberalization in 2008. In 2016, however, the Government had changed its approach towards managing the sector. A transition committee, made up of both Government and the private sector representatives, was set up to manage the domestic sector. The immediate task of this Committee was to ensure effective administration of the 2016/17 harvest. He mentioned that the country's only six companies could participate in this year's harvest. However, in order for them to participate, they were required to provide an upfront payment which was equivalent to 40% of the value of their allocation. Cotton lint had been valued at West African CFA francs 270/kg and second choice at CFA francs 220/kg. Some revenues to be earned from cotton sales would be allocated to areas which had been identified as critical to improving the functioning of the sector.

1.33 The representative of Burkina Faso informed that reforms were being undertaken, such as amending legislation related to the registration of cooperatives; recruitment of a financial institution to manage a cotton fund - which would assist farmers to buy inputs at lower prices; and to implement cotton seed pricing based on international prices. He sought financial support from development partners, to replenish funds in the country's price stabilization fund - which assisted their cotton producers when prices fell below a specified level. He mentioned that the domestic sector had been facing a number of difficulties such as parasite infestations and adequate water

supply to producers. Despite these difficulties, the use of non-GMO seeds and a return to traditional farming methods this year, 740,000 hectares were sowed compared to 660,000 hectares in 2015, and the expected yield for 2016/17 was 730,000 tonnes.

1.34 The Chairman urged the LDCs, in particular the C4 countries, to provide regular inputs to the Secretariat and requested cotton proponent countries, which had not done so, to submit the contact details of their national focal points.

2 CONCLUSION

2.1. The Chairman concluded the meeting by highlighting the importance Director-General Roberto Azevêdo attached to the cotton dossier. He commended the participants at the DGCFMC for their efforts in reviewing the contents and the structure of the ET. The ET on cotton would henceforth focus on committed resources related to the cotton sector. The work in this body consolidated the development dimension of the multilateral trading system. He reiterated that the Secretariat would continue to assist this process through monitoring and reporting on progress of cotton-related activities, and urged regular reporting to the WTO Secretariat database.

2.2. He announced that the next round of consultations would take place in the first half of next year, and that it would be held back-to-back with the next dedicated discussion to examine relevant trade-related developments on cotton in the context of the Committee on Agriculture in Special Session. The Secretariat would consult with regard to the specific dates.
