



17 January 2018

(18-0446)

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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 27<sup>th</sup> Round of the Director-General's  
Consultative Framework Mechanism on Cotton<sup>1</sup>  
24 July 2017*

**1 INTRODUCTION**

1.1 The 27<sup>th</sup> Round of the Director-General's Consultative Framework Mechanism on Cotton (DGCFMC) took place on 24 July 2017, 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 expressed concern on the slow progress on the work related to Domestic Support in Agriculture which the Group considers to be at the crux of the stalemate in the negotiations.

1.3 She recalled the decisions made at the C4 Coordination Meeting held in Cotonou, Benin from 18-21 April 2017, which called for a follow-up on the effective implementation of all Ministerial Decisions taken in favour of cotton. She added that those decisions included a call for substantial reductions and eventual elimination of all forms of support which had trade-distorting effects on cotton and its derivatives. She mentioned that the C4 would undertake consultations with other Members in order to submit a draft Ministerial Decision for consideration at the Eleventh WTO Ministerial Conference (MC11) which would be in line with the Hong Kong mandate of 2005, calling for ambitious, rapid and specific treatment for cotton.

1.4 She reaffirmed the C4's commitment to the multilateral trading system (MTS) and the merits of this system to enable its greater integration into the global economy. She maintained that trade was important in order to fight against under-development and to create inclusive development in their countries. The C4 was delighted with the initiatives and encouraged other Members to work towards achieving a negotiated solution for cotton, in particular African cotton producers.

1.5 She welcomed the new Executive Director of the International Cotton Advisory Committee (ICAC), Mr. Kai Hughes, who took up his position on 1 September 2017 and assured him of the C4's commitment to support ICAC's work under his stewardship. She acknowledged the contributions made by Members to facilitate the updating of their database. She thanked China for its financial support which made it possible for the Focal Points from the capitals to participate in the meeting. She thanked Mr. Gerardo Melogno, who retired in August 2017, for his services especially in support of C4 work on development assistance aspects on cotton and wished him great success in his future endeavours.

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<sup>1</sup> 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.

1.6 The Chairman of COS-Cotton, Ambassador Sékou Cissé (Mali) speaking on behalf of the ACP Group, stressed on the important role played by cotton production in the development of the African continent. He highlighted the benefits of the European Union-Africa Partnership on Cotton whose objective was to contribute to the fight against poverty in cotton areas by improving the competitiveness, added value and viability of the African cotton sector. He mentioned that under this Partnership programme more than 200 specific support actions for African cotton projects costed at about €650 million have been identified, and 70% of the funding would be provided by the EU to realize them.

1.7 He added that in order to ensure sustainable and inclusive development of the cotton sector in Africa and to benefit from the experience, a three-pronged approach required to be adopted: (i) accelerate the creation of added value in African cotton-textile and clothing value chains; (ii) improve the use of the production area available; and (iii) create a strategic policy framework for the sustainable, inclusive and ambitious development of cotton/textile and clothing value chains.

1.8 The representative of Pakistan, stated that cotton was a major crop of Pakistan after wheat and occupies the largest area in the country compared to other crops. Production of cotton and cotton-related products accounted for 10% of GDP and 55% of the country's total foreign exchange earnings. The area under cultivation of cotton increased significantly in the last 30 years to around 7.86 million acres in 2015/16. He also added that his Government was in the process of undertaking a number of reforms in its cotton sector.

1.9 The representative of the European Union reiterated its support for the African cotton sector. The EU provided a new type of support which encouraged investments through its external Investment Fund for job creation. It also welcomed the opportunity to learn how African countries would mobilize investments, facilitate private sector investments in commodities such as cotton and ensure that public-private sector dialogue was able to contribute to an effective investment strategy into these value chains.

## **COTTON PRODUCTION AND TRADE TRENDS**

1.10 The outgoing Executive Director of the ICAC, Mr. Terry Townsend, welcomed the incoming Executive Director of ICAC, Mr. Kai Hughes, who will be assuming his new role on 1 September 2017. Mr. Townsend also paid tribute to the former Executive Director, Mr. José Sette and he welcomed Bangladesh and the EU as new members of ICAC.

1.11 He explained that the biggest challenge facing the cotton industry was the growth in polyester production. In the last 17 years, global polyester production grew from 9 million tonnes to approximately 50 million tonnes. The production in China alone (the largest producer) during the same period of time increased from 1 million tonnes to 35 million tonnes. He acknowledged that the changes in industrial policies have contributed to loss of global market share for cotton. He added that the second challenge being encountered was the negative campaigns by environmentalists and other groups, especially through misguided reports, which had been affecting consumer perception and began to seep into the perception of governments and government regulators.

1.12 He also stated that for cotton to remain relevant in the modern market era, it had to transform itself with a view to competing with modern fibres. He added that currently, the natural fibres accounted for a fraction of what it did during the 1800s. He also mentioned that it in the 1960s, cotton accounted for 70% of all fibres used around the world and currently it stood at about 30%.

1.13 He highlighted the shifts in world mill use using ICAC data from the 1930s where North America and Europe's share of mill use fell from 24% and 28% to 5% and 1%, respectively and Africa's global share in mill use has remained constant at 1% in the last 70 years.

1.14 He underscored Africa's potential to increase cotton production and mill use. The main drivers for the projected increase stemmed from population growth and greater income growth, providing opportunities for increased cotton transformation. The other contributing factors included

investment friendly policies, trade preferences in the large markets and improved access to capital.

1.15 In respect to the forecast for the next 10 years, he highlighted that India and the South Asian region would replace China as the largest producer of cotton because production was shifting towards manmade fibres. South Asia was also expected to be the largest region for cotton mill use. East Asia would remain the same at the current levels. There was expected to be some growth in North America as brand retailers put more emphasis on local sourcing.

1.16 Responding to some queries from the delegations in respect of increasing production, the challenge posed by polyester and the negative campaigns being carried out against cotton producers. The outgoing Executive Director of the ICAC explained that production of cotton in Africa was being negatively affected by factors such as soil types, rainfall, temperature varieties and lack of input finance. Secondly, he explained that polyester production would continue as it had tactical advantages over cotton in industrial use as it was more suited to a number of applications. Thirdly, he mentioned that the parties involved in the negative campaigns against cotton, were mostly from advocates of organic cotton production. He added that organic cotton production was very labour intensive using inefficient old fashioned technology that was not economically viable in today's economy and was suited to small holders.

#### **DIRECTOR-GENERAL'S EVOLVING TABLE ON COTTON DEVELOPMENT ASSISTANCE**

1.17 The Chairman, in introducing item 4 of the agenda, made reference to the 23<sup>rd</sup> version of the Evolving Table (ET), circulated as document WT/CFMC/6/Rev.22. He invited Mr. Gerardo Melogno (Development Division) to highlight the main points of this updated version.

1.18 Mr. Melogno informed the participants that the data contained previously in Part III of the table has been made available through the web links shown in the first page of the ET. He reported that the latest version was prepared on the basis of contributions from several Members namely; Brazil, Canada, EU, Japan and Switzerland. In addition, contributions were also received from ITC and UNCTAD.

1.19 He noted that in part I of the ET concerning the ongoing activities of cotton specific development assistance, the number of beneficiaries remained stable at 30, while the number of commitments had decreased to 27. The total value of commitments had decreased from US\$280 million to US\$203 million, while the total value of disbursements had increased from US\$99 million to US\$110 million. He added that the ratio of total disbursements to total commitments increased from 36% to 54%. The increase was due mainly to projects which were considered to be completed and therefore moved to the Annex of the ET.

1.20 With respect to part II of the ET relating to ongoing activities under the framework of agriculture and infrastructure-related assistance, he informed that the number of beneficiaries remained the same at 31, and the number of commitments decreased from 67 to 61. The value of commitments had decreased from US\$4.11 billion to US\$3.94 billion in the revised version. The total value of disbursements had decreased by US\$140 million and currently stood at US\$1.74 billion. The ratio of the total disbursements to the total commitments had decreased slightly to 44% from 46% previously.

1.21 He said that Annex I contained the completed activities under cotton specific development assistance, the total number of activities completed had been 192, covering a total of 47 beneficiaries. The total value of these completed activities in terms of commitments increased from US\$580 million to US\$659 million, whereas the actual disbursements reached US\$505 million. With respect to the completed activities under the framework of agriculture and infrastructure-related development assistance contained in Annex II, the total number of completed activities reached 117 covering a total of 29 beneficiaries. The total value of commitments of these completed activities increased from US\$4.29 billion to US\$4.50 billion, while total disbursements reached US\$4.43 billion.

1.22 He thanked the donor community for providing the latest updates. He also pointed out, that despite the fact that disbursement status reports have increased, there is still room for

improvement, in particular regarding some long standing activities, for which fresh updates are needed. He also encouraged the members to submit information on partial disbursements.

1.23 With regard to the notification of National Cotton Sector Focal Points, he informed the meeting that the number remained at 16. He encouraged other remaining African cotton producing countries to communicate to the Secretariat the names and coordinates of their National Focal Points in order to complete the list.

1.24 The representative of Mali on behalf of the C4, thanked the donors for their support, and encouraged them to continue providing such support to improve the competitiveness of the African cotton producers. In addition, she hoped that the development partners would continue to mobilize funding for programmes related to the improvement of value chains in the cotton sector.

1.25 The representative of Japan intervened to share their initiatives on development, especially in Africa. She reported that eleven new projects were added in part II of the ET. A further three projects under the grant aid scheme had also been taken to provide funding for economic and social development projects undertaken by Japanese NGOs. She further reaffirmed Japan's continued support to Africa through public-private partnership.

### **SOUTH-SOUTH COTTON COOPERATION**

1.26 The representative of Brazil provided an update on the financial disbursements in the framework of the bilateral projects with some African cotton producing countries. He reported that Brazil provided additional information relating to cooperation with international organizations in projects in Africa as well as in South America. The Brazilian Cooperation Agency had also started work on two new projects in Benin and Mali. He reaffirmed his country's commitment in providing technical assistance to cotton producing countries as a tool to promote their economic and social development.

1.27 The representative of China shared his country's latest efforts in South-South Cooperation on cotton. He informed that his Government was planning to hold several training courses on cotton under its South-South Cooperation programmes which would focus on cotton production and spinning technology in developing-country Members, particularly in LDCs. In the area of bilateral technical cooperation, a number of agricultural demonstration centres had been established in some African countries. He also reaffirmed China's commitment to continue providing agricultural inputs to support cotton production in African countries.

1.28 The representative of Pakistan reported that it had arranged a training programme in Pakistan for C4 countries, which was aimed at sharing the best practices on cotton production and trade.

1.29 The representative of Benin, speaking on behalf of the C4, expressed deep gratitude to all the partners for the continued support provided to African cotton producing countries. He thanked particularly China, Brazil and other South-South cooperating partners for their support to African cotton producing countries, particularly the C4.

1.30 The Chairman thanked all those who provided updates, and underlined that such updates enhanced the implementation as well as reinforced South-South cooperation. He also encouraged developing countries to continue to strengthen South-South cooperation on cotton.

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

1.31 The Chairman invited comments on the latest version of the Evolving Table circulated to Members in WTO document – WT/CFMC/21/Rev.13. He mentioned that updates were received from Burkina Faso, which came late for the Secretariat to include in the new version of the table and would be included in the next revision of the Table.

1.32 The representative of Burkina Faso informed that its domestic cotton sector had undergone considerable reform and law has been enacted to allow investors to produce their own electricity to overcome the energy constraints faced by the sector. In terms of production figures, he stated

that 685,000 tonnes of cotton was produced in 2016/2017 compared to 550,000 tonnes in 2015/2016 and it had been projected that the country would produce 800,000 tonnes in 2017/2018. He added that the price of cotton in 2016/2017 stabilized at CFA francs 235 per kg and the price of first grade cotton seeds stood at CFA francs 10 per kg.

1.33 The representative of Benin stated that the Government undertook significant reforms of the cotton sector in 2016, and they had already begun to yield satisfactory results. He added that the most significant reform undertaken was related to the establishment of a framework agreement for the partnership between the Government of Benin and the Inter-Professional Association for Cotton which was suspended in 2012. As of June 2016, government assistance related to the provision of agricultural inputs to cotton producers was ceased. He informed the meeting that Benin was projected to produce 550,000 tonnes in 2017/2018.

1.34 The representative of Chad informed the meeting that in 2016/17 as part of the reforms aimed at reviving the cotton sector, a decision was taken by the Government to gradually increase cotton seed production to 220,000 tonnes by the end of 2017, and a production target of 300,000 tonnes had been set for 2017/18. In addition, the Government sought to ensure that the domestic producers obtained fibres at prices similar to the international price levels. He mentioned that cotton seed price reduced from CFA franc 240 per kg in 2013/14 to CFA franc 220 per kg in 2016/17. Early this year, a decision was taken to set up a tripartite committee to fix the price of cotton seed and eliminate the provision of subsidies for inputs.

1.35 The representative of Mali stated that cotton had been a major source of income for the country and accounted for more than 15% of its GDP. Furthermore, the domestic cotton sector employed more than 4 million people. He informed the meeting that a number of reforms had been instituted since the last meeting and that the Ministry of Agriculture was preparing a study to evaluate the various reforms in order to determine the impact and to update the various strategies that had been implemented. A 26% increase in production was recorded in 2016/2017 - from 513,000 tonnes to 647,000 tonnes. Cotton seeds had been valued at CFA franc 245 per kg, and second choice cotton at CFA franc 256 per kg.

1.36 The representative of Cameroon informed the meeting that through the country's Cotton Society Company, cotton production had reached 250,000 tonnes from 200,000 growers that organized under a bottom-up structure. The increased production stemmed from the optimum use of inputs provided through credit scheme subsidies, improved seeds, agronomical research as well as the support and counselling to farmers. He also stated that the main reform in the domestic cotton sector involved the acquisition of modern machines by 6000 producers.

1.37 The representative of Zimbabwe commended the work achieved so far but expressed concern at the pace of the implementation of commitments made at the Hong Kong Ministerial Meeting related to the elimination of domestic subsidies. He acknowledged the achievements made through the EU-Africa cotton partnership, and thanked ITC and UNCTAD for their assistance. He informed the meeting that the domestic cotton sector employed an average of 51,000 people supporting around 350,000 rural households - approximately 1.6 million people. He explained that the cotton sector was experiencing viability challenges as production had declined partly due to price volatilities and effects of climate change. The land area dedicated to cotton production declined from 300,000 hectares in 2012 to 110,000 hectares in 2015. The government interventions and favourable rain falls in 2017 had raised the potential yield to reach 200,000 tonnes. He appealed to the Members to commit to the elimination of trade distorting domestic support related to cotton at MC11.

1.38 The Chairman concluded by thanking the delegations who provided their latest contributions under this item and urged the LDCs, besides the C4 delegations, to consider submitting their inputs to the Secretariat for the next revision of the Table.

## **DESIGNATION OF NATIONAL COTTON SECTOR FOCAL POINTS**

1.39 The Chairman informed that the focal points registered so far were listed in Part III of the ET on cotton and that the Secretariat had not received any new information on additional focal points, the total number remained at 16. He urged the cotton proponent countries yet to designate their national cotton sector focal points to do so as soon as possible so as to complete the list.

**ANY OTHER BUSINESS**

1.40 The Chairman invited the representative of the Agriculture and Commodities Division to provide a brief statement on assuming its new role as the focal point for the Director-General's Consultative Framework Mechanism on Cotton.

1.41 The representative of the Agriculture and Commodities Division (Ms. Marieme Fall) vowed to continue the work that had been achieved under the stewardship of the Development Division. She mentioned that the Division would work hard to increase the synergies and to assist Members with the implementation of their mandate on the development assistance aspects of cotton.

**2 CONCLUSION**

2.1. The Chairman concluded the meeting by reiterating the importance that the Director-General attached to the Cotton File. He commended the donor community as well as beneficiaries of development assistance for their constructive role in taking forward the discussions based on the Director-General's Evolving Table. The work of Members and other participants in this DGCFMC widely recognized as helping to consolidate the development dimension of the MTS. He also reiterated that the Secretariat would continue to assist this process by monitoring and reporting to Members on new projects and progress in relation to the implementation of current activities. He stressed on the importance of South-South Cooperation, and thanked the significant contributions made by Brazil, China and India in this area of work.

2.2. He informed that the Cotton File would be dealt with by the Agriculture and Commodities Division. He thanked the Development Division which had been taking care of this file since 2013.

2.3. He announced that the Director-General would soon designate a new Chair of this Consultative Framework, and that the next Round of Consultations would take place prior to the last General Council meeting of the year. Specific dates would be communicated in due course.

2.4. He informed the meeting that this was his last meeting as Chair of the DGCFMC and thanked all participants for their collaboration and very constructive and fruitful engagement during the last four years.

2.5. The representative of Benin on behalf of C4 and African cotton producing countries, expressed sincere gratitude for the tremendous work undertaken by the Chair (Deputy Director-General David Shark) on the cotton file. He wished him success in his future endeavours.

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