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DEVELOPMENT ASSISTANCE ASPECTS OF COTTON

Fourth Periodic Report by the Director-General

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I. INTRODUCTION BY THE DIRECTOR-GENERAL

1. This is the Fourth Periodic Report by the Director-General to the Membership on cotton. The focus of this report is specifically on the Development Assistance Aspects of Cotton and on the WTO treatment of the Sectoral Initiative on Cotton more broadly. Since my Third Periodic Report in 2009, progress has been made. Four more Rounds of the Director-General's Consultative Framework Mechanism were held, bringing the total number of consultative rounds to date to 16, since 2004. The Evolving Table on Cotton Development Assistance (ET) has been updated 4 times, with the latest update (twelfth revision) contained in document: WT/CFMC/6/Rev.11. This latest update to the ET is a tribute to the entire WTO Membership. It tells a story of partnership and cooperation between developed, developing Members and specific, relevant multilateral institutions. Concretely, the Twelfth version of the ET registers "deliverables" that have been banked, through a transparent and collectively monitored process since the 6th WTO Ministerial Conference in 2005 and the 2007 High Level Meeting on Cotton (HLM). The "deliverables" achieved are based on the unique partnership between the traditional members of the development community (Australia, Canada, the European Union (and several of its individual Members), Japan, and the United States); with the developing Members of Brazil, China and India, on the specific platform of South-South Co-operation for Cotton-Sector Development. Over the past 8 years, several multilateral institutions have contributed real "deliverables" to the ET. Most notably, these are the World Bank and the International Monetary Fund (IMF), the African Development Bank, the Food and Agriculture Organization, the International Cotton Advisory Committee (ICAC), the International Trade Centre (ITC), the Common Fund for Commodities (CFC), and the United Nations Conference on Trade and Development (UNCTAD).

2. The mandate on cotton establishes a two-track approach: the development assistance track and the trade policy / negotiating track. On the trade policy aspects of cotton, Members have agreed that cotton will be treated ambitiously, expeditiously and specifically, consistent with the commitments made at the Hong Kong Ministerial Conference. In his April 2011 report to the TNC, the Chairman of the Committee on Agriculture Special Session had noted that not all Members involved in consultations were in a position to agree to the text on cotton as drafted in TN/AG/W/4/Rev.4, but Members remained committed to finding a solution to cotton. Recent consultations on cotton, following a proposal from the C-4 contained in document TN/AG/SCC/GEN/11, have confirmed the commitment of Members to on-going dialogue aimed at progressing the mandate contained in paragraph 11 of the Hong Kong Ministerial Declaration of delivering ambitiously, expeditiously and specifically on cotton in the three pillars of the agriculture negotiations.

3. In the global cotton market, at this time, there are positive developments.[1] The 2010/2011 cotton season, ending in July 2011, registered historic prices with a daily price record of US$2.44 per pound of cotton lint, and a season average record of US$1.64 per pound of cotton lint, as recorded by the Cotlook A Index of cotton prices. As a result of historically high prices, domestic support was at historic lows. High prices for cotton and low levels of domestic support provide positive signals for the cotton market. They also provide a unique opportunity for reforming trade distorting agriculture policies in this area. Cotton production is forecast to increase as a market reaction to the high cotton prices received by farmers in the cotton season ending July 2011. ICAC expects global cotton production to increase by 8 per cent to 26.9 million tonnes in the 2011/12 season. This would be the largest harvest registered since 2004/05.

[1] Economic and trade developments in the global cotton sector draw on the most recent data from the International Cotton Advisory Committee (ICAC): Cotton This Month, November 2011.

4. Cotton yield per hectare continues to be a key variable in monitoring how cotton producers across the global economy adapt to market conditions, compete and seize market opportunities. The world average yield for cotton, measured as kilogram of cotton per hectare (kg/ha), is approximately 745 kg/ha. The yield in a select range of countries and groupings is indicative: Australia (1,907 kg/ha); Brazil (1,407 kg/ha), China (1,300 kg/ha), India (491 kg/ha), Pakistan (642 kg/ha), Turkey (1,350 kg/ha), Burkina Faso (376 kg/ha), Egypt (821 kg/ha), Mali (360 kg/ha) and Nigeria (180 kg/ha). Many variables are at play. Yet, it is useful for cotton producers to carefully monitor yield per hectare. For instance, for Africa, although the average yield is 318 kg/ha, well below the global average, yet there are positive signals to be noted, such as that Africa's cotton production is forecast to increase by 27 per cent to 1.3 million tonnes in 2011/12.

5. It is estimated that global cotton trade will increase by 2 per cent to 8 million tonnes. This increase is forecast to take place due to increased imports from China. China remains the number one importer, accounting for 42 per cent (3.3 million tonnes) of total global cotton imports in 2011/12. On the export side, the United States remains the number one exporter, accounting for 30 per cent (2.3 million tonnes) of total global cotton exports in 2011/12.

6. The evidence since 2007 to this moment of my report re-confirms what Members already know. Stability in markets and the regular and predictable supply of trade finance are vital for all sectors, including the cotton market. All WTO Members have a constant and enduring stake in open, predictable and stable markets. This is why I continue to encourage Members to bridge differences in the negotiations, reduce distortions, maintain trade openness and take measures that send positive signals to markets either on the import or the export side.

II. DEVELOPMENT ASSISTANCE: PROCESS, IMPLEMENTATION AND RESULTS

7. The Director-General's Consultative Framework Mechanism on Cotton (DGCFMC) was established in October 2004. It held its First Round of Consultations on 22 October 2004. There have been 16 Rounds of Consultations, so far, the most recent of which was on 3 November 2011. The focus of the consultative mechanism has been, largely, on the development assistance aspects. However, in the established agenda items, the consultations begin with a Report on the Agriculture Negotiations (highlighting the Trade Policy Aspects of the Cotton Initiative), from the Chairman of the Committee on Agriculture Special Session (CoA/SS) and its Sub-Committee on Cotton (SCC). This report is followed by statements by Members and exchange of views amongst them on the trade policy aspects of the Sectoral Initiative on Cotton. Thereafter, the consultations focus on the Development Assistance Aspects. There is also a review of the global economic, trade, price and production trends on cotton, on the basis of a standard report from the Executive Director of the International Cotton Advisory Committee (ICAC), as a further contribution to this issue.

8. Broadly, over the past seven years of work, several aspects of work on cotton require underscore. First, the Evolving Table on Cotton Development Assistance has emerged as one of the unique contributions of the WTO in seeking to blend and find "agreeable" points of intersection between trade and development. It is now in its Twelfth edition and is the term of reference in the "Cotton Network". It is a transparency tool for the collective monitoring of the commitments by Members and the implementation of those commitments. Second, the commitment of recipients of cotton on domestic cotton sector reforms was part of the original understanding in 2004 that has contributed to the progress made. So far, the cotton proponents have provided inputs on their domestic cotton sector reforms that have enabled the Secretariat to prepare three updated versions of the Table on Domestic Cotton Sector Reforms. The third version was circulated on

5 November 2010,[2] based on inputs from Benin, Burkina Faso and Mali. A fourth version is outstanding. The Table on Domestic Cotton Sector Reforms has facilitated the mutual engagement between the providers and recipients of assistance. I urge the recipients of cotton assistance, who have not yet done so, to make available the outstanding inputs to enable the Secretariat to prepare the next version of the Table on Domestic Cotton Sector Reforms.

9. Finally, South-South Co-operation for Cotton Sector Development is an important development in the engagement of Members on cotton. Progress has made with the support and leadership of Brazil, China and India, with contributions by Egypt, Pakistan and the International Trade Centre (ITC). The Secretariat acted to implement the paragraph 12 mandate by convening the "Seminar on South-South Co-operation for Cotton Sector Development" on 22 November 2007.[3] This aspect of the Organization's work on the Development Assistance Aspects of Cotton continues to yield significant dividends with positive knock-on effects into other areas of work in the WTO. I encourage the Members involved to sustain their efforts.

A. RESULTS

10. There are measureable results from the work of Members and relevant multilateral institutions on the Development Assistance Aspects of Cotton. These are real "deliverables" and are reflected in the Twelfth version of the Evolving Table, which I forwarded to all Members on 6 October 2011. In summary, the results are as hereunder:

- In Part I, on **Cotton Specific Development Assistance** (of active operational activities), the number of individual beneficiaries stands at 25. The total number of commitments is 64, and the total value of these commitments approximates US$332 million under the re-structured format. Disbursement flows amount to US$94 million. In Annex 1, under "Completed" activities for Part I, the total number of beneficiaries stood at 33; the total number of commitments was 106, and their total value approximated US$255 million. Disbursement flows amounted to US$244 million.

- In Part II, on **Agriculture and Infrastructure-Related Development Assistance**, (of active operational activities), the number of individual beneficiaries is 26. The total number of commitments is 56, and the total value of these commitments stands at US$4.72 billion. The disbursement flows stand at US$619 million in the new re-structured format. In Annex 2, under "Completed" activities for Part II, the number of individual beneficiaries was 16; the total number of commitments was 62, and the total value of these commitments stood at US$207 million. The disbursement flows approximated US$207 million.

11. These numbers are concrete. They have been accumulated, verified and monitored since 2005. They also present evidence of the result of the constructive engagement amongst WTO Members on the cotton initiative. Yet, there is more work to be done.

III. CONCLUSION

12. Even with the progress on the Development Assistance Aspects, I would like to stress the necessity for continued engagement and the need to deal with all aspects of the cotton dossier. On the development assistance aspects, areas for more technical engagement could include improved and

[2] WT/CFMC/21/Rev.2: Table on Domestic Cotton Sector Reforms.
[3] WT/CFMC/16 and WT/L/710: Seminar on South-South Co-operation for Cotton Sector Development, 22 November 2007.

sustained engagement between assistance providers and recipient focal points "in-country"; higher quality operational reports; and, greater focus on projects to improve productivity and competitiveness.

13. For the progress made so far, particularly on the development assistance aspects, I would like to pay tribute to developed Members, particularly to Australia, Canada, the European Union (and several of its individual Members), Japan and the United States; and, also to developing Members operating on the platform of South-South Cooperation, on this question, namely, Brazil, China and India. I urge all Members to work to achieve coherence on the trade policy and development assistance aspects of the Sectoral Initiative on Cotton.