

Sub-Committee on Cotton

**IMPLEMENTATION OF THE DEVELOPMENT ASSISTANCE ASPECTS OF THE
COTTON-RELATED DECISIONS IN THE 2004 JULY PACKAGE**

Item 2C: Coherence Between Trade and Development Aspects:
Update on the Development Aspects of Cotton

Sixth Meeting of the Sub-Committee on Cotton (28 September 2005)

Secretariat Progress Report

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

1. Under this standing item, the Secretariat has provided three prior updates to the Membership. The base report was the substantive First Periodic Report by the Director-General to the December 2004 General Council (WT/GC/83 and Add.1). The subsequent progress reports were provided on 22 March 2005 (TN/AG/SCC/W1), 29 April 2005 (TN/AG/SCC/W2) and 18 July 2005 (TN/AG/SCC/W3). These reports are before the Sub-Committee on Cotton (SCC).
2. The updates to Members have been based on the information provided by Members and the relevant multilateral institutions, following four rounds of consultations in the informal consultative process established by the Director-General to implement Council decisions on the development assistance aspects of cotton. Since the last (4th) round of informal consultations on 18 July, no further consultations have taken place. The Secretariat intends to hold the next round of consultations before the 6th WTO Ministerial Conference.
3. At today's meeting, the Secretariat would like to emphasise that there continues to be a positive evolution of results in the implementation process. Overall, there is real progress in respect of contributions by bilateral donors and contributing multilateral institutions, with indications of further advances. These would be reported in the next substantive report by the WTO Director-General.
4. Implementation of the decisions on the development assistance aspects is work in progress, and needs to be deepened. As an indicative summary, in the information provided by Members and relevant multilateral agencies, the range of technical and financial assistance given, including actual cotton-specific projects underway, those planned, and those requested, specifically cover:
 - Reflection of cotton sector priorities in bilateral donor/multilateral agency programmes;
 - Design of cotton-specific programmes/activities in bilateral/multilateral agency programmes;

¹ This document is an update to the First Periodic Report by the Director-General to the General Council, circulated under the symbol WT/GC/83, and subsequent updates in TN/AG/SCC/W/1, TN/AG/SCC/W/2 and TN/AG/SCC/W/3.

- Debt relief/Increase in financial and aid flows²; and
- Actual/Planned cotton sector-specific technical assistance activities cover:
 - Capacity building (seminars, conferences, training, agricultural best practices);
 - Research/Skills and Technology transfer in areas such as ginning, cotton testing, labelling, grading and classing; soil degradation, soil fertility improvement and management, bio-technology, bio-safety training, entomology, high yield, disease resistant transgenic cotton varieties;
 - Infrastructure (roads, railway systems, construction of training schools, etc);
 - Private sector development;
 - Cotton promotion and market search;
 - Regional strategy for policy and institutional support (WAEMU, ECOWAS);
 - Restructuring of producer associations;
 - Agricultural-linked projects (irrigation systems, rural development, etc);
 - Value-added projects and Chain Integration (e.g. textiles and clothing);
 - Fiscal/price support;
 - Market-based price risk and price stabilization instruments;
 - Poverty Reduction & Growth Facility (PRGF) augmentation.³

5. However, there are three areas where scope exists for further progress. First, the need for increased coordination and enhanced partnerships at the level of bilateral donors, agencies and the proponents themselves. Second, the need for the proponents to formulate specific cotton sector priorities in keeping with the priority attached to cotton and as reflected in their priorities. Third, the need to accelerate and deepen the on-going transformation from programmes and design of projects to actual operational projects.

6. Since the last progress report, there have been several additional developments.

- **First**, at the 64th Plenary Meeting of the International Cotton Advisory Committee (ICAC), the ICAC Secretariat on behalf of the Organization, "offered" to contribute towards the implementation of the development assistance aspects and to assist "financially stressed producers, particularly in Africa". Identified areas of support were technology development; technology transfer to raise yields and lower costs, through more efficient application of inputs; improvements in access to yield-enhancing inputs; and, to encourage acceptance of new technologies, including biotechnology, by consumers and governments. The WTO Secretariat met bilaterally with the ICAC Executive Director to explore their offer and undertook to report this new opportunity to Members, which is hereby reported.
- **Second**, the United Kingdom (on the platform of the EU Presidency) underlined a strong commitment for a successful Hong Kong Ministerial meeting and overall Doha outcome and, in doing so, underscored the importance of progress on cotton. This was followed-up with a formally circulated statement by the Representative of the EU reporting on progress by the European Communities, *inter alia*, on the implementation of the development assistance aspects of the cotton issue (and pointing to EU domestic measures for progress on the trade aspects).

² The point has been made about the fungibility of financial assistance and aid flows.

³ Augmentation will be provided, if external financing requirements result from terms of trade shock (IMF contribution).

- **Third**, information and data provided at the meeting by ICAC indicated the continuing long-term decline in global cotton prices, the continuing global decrease in average revenue per hectare, in spite of recent demand growth for cotton, and the continuing decrease in the market share for cotton relative to total fibre consumption. Reports at the meeting also indicated that, globally, producers were focusing efforts on the application of improved technology, biotechnology, high yield disease resistant varieties to improve quality, efficiency and productivity. ICAC is attentive to government measures that distort trade and growth in the cotton sector. A specific report was circulated to the ICAC Plenary, by the Chair, of the Working Group on Government Measures (WGGM).
- **Fourth**, there are strong positive developments on Aid-for-Trade, as reflected in the recently adopted "Development Committee Communiqué", at the Development Committee in Washington, on 25 September. The endorsement of the proposal, by the Development Committee, to enhance the Integrated Framework, including the expansion of its resources and, to make the IF more effective, is likely to provide important new opportunities in areas identified as priorities by beneficiary members. The Development Committee also welcomed the World Bank's ambitious Africa Action Plan.

7. These updates for the Membership are not isolated. The Secretariat progress reports on the implementation of the development assistance aspects are linked. It is work in progress. The Director-General, *inter alia*, remains seized with the issue of cotton. This was conveyed to the meeting of the Director-General with the proponents on 12 September 2005.
