

AGRICULTURAL PRODUCTS IN THE WORLD TRADE

C O T T O N

Since the XIX century, cotton is the first textile fibre in the world. Since the seventies, it suffers from a great concurrence of the synthetic fibres which represent today 60 % of textile production.

1. Comprehension of the situations

a) The production

- Repartition:

Asian countries	Industrialised countries	African countries	Other countries
China 18%	USA 19%	5%	22%
India 14%	Australia 4%	-	-
Pakistan 9%	UE 3%	-	-
Uzbekistan 6%	-	-	-

- Surface:

Cotton is cultivated in 3% of the world cultivable surface.

India – China- Pakistan	50% of the cultivated superficies
Other Asian countries	10%
Industrialised countries	20%
Africa	in some countries, cotton represents up to 30% of the cultivated area

- Evolution of the production:

It has doubled in 40 years; in volume it has been multiplied by 4 in 20 years in Western Africa.

- The producers

20 millions of farmers are cultivating cotton in the world. 97% of them are living in the developing countries.

- Countries

Different from cocoa and coffee, for example, produced in tropical zones and exported to the North, cotton grows in Southern and Northern countries. In this context, concurrence is falsed due to the gaps of competitiveness between South and North and of the subsidised production policies of the industrialised countries.

b) The Consumption

Asian countries are historically producers for their internal needs. If they get surplus production, they can become important exporters. EU consumes their own production, thus is not an exporter.

c) The World trade

USA	Western Africa	Asian countries
23%	15% of the global market	China: 16%
(the first exporter)	-	India: 15%
-	-	Pakistan : 11%
-	-	Uzbekistan: 5%

Cotton world trade is facing profound modifications since January 2005, especially by the integration of all textile and clothing sector in the common regime of the WTO and by the disappearance of the multi-fibres agreement, existing since 1974. It has an objective to limit the exportation of textiles from the developing countries to the industrialised countries, through a quota system which has been progressively dismantled.

This will provoke a very strong competition in between the producing countries to recover parts of the markets, till now artificially protected by this quota system. China will be the main beneficiary of this new situation as well as India, even if it is less. The poorest countries are not well equipped to resist to this situation.

World rates:

- Going down every day because of the progression of the demand of synthetic fibres
- They influence by the situation of offer and demand in China
- Determined mainly by the subsidies allowed to the cotton producers of the North, especially in the US, the first exporters. In any case, the world rates are not taking into account the production costs and not erase the gaps in between competition.

d) Type of agriculture

- Developing countries: small farmers with small revenues cultivate surfaces of 2 hectares or less. 10 to 11 millions of producers are living in Western Africa.
- USA: 25.000 producers. Half of the production from the USA comes from highly mechanised farms, from 400 to thousands of hectares.
- European Union: 71.600 producers in Greece with an average of 5 hectares. 7.600 producers in Spain with an average of 12 hectares of cultivation.

2. Analysis of the mechanisms:

a) Local markets

Today, French speaking countries of Africa export 95% of its raw cotton and transform only 5%, which reduce, quite a lot, the added value of production.

It is important for Africa to search the means to re-appropriate its cotton, and it's much more important than participating in the global fight against neo-liberalism. The local process/ value addition of the cotton fibre could be promising because it could create employment and added value from a local know-how.

The UEMOA Ministers (Economic and Monetary Union of Western Africa – 8 countries) have planned to transform 25 % of the production of cotton fibre from now to 2010 and to ensure the creation of 50.000 employments. But measures have to be taken: to forbid the importation of printed stuffs, to provide a preferential price for cotton to the local entrepreneurs, to suspend taxes on the sales realised on the internal market. This project implies the State to indirectly support the industrials, for example by a negotiated price of the electricity costs.

The African cotton producers receive less than 1 Euro per kg of raw cotton. Once it is transformed in thread, cotton triples its value and when it's weaved, its value is multiplied by 6. We can thus say that value addition might be an interesting solution. But it is necessary to take into account the concurrence of Asian countries benefiting from long time of performing industries. The massive arrival of second hand clothes in Africa is also a cause for brake to the development of local economy.

b) Action of international organisms

- WTO, World Trade Organization

More than 50% of the world cotton production is subsidised.

To denounce the unfair competition caused by those subsidies, in 2003, Brazil put a case in the ORD (Organism of the WTO for the settlement of the difference). For the first time WTO pronounced a condemnation with regard to the case of internal subsidies, while condemning US subvention policy to cotton producers. This condemnation was pronounced in April 2004.

African countries, in spite of relevant arguments in this cotton dossier, don't have the means to put a case in the WTO for unfair concurrence. But they have found encouragement in the case won by Brazil against USA, to support the initiative launch in June 2003 by 4 producing countries of Western Africa (Mali, Benin, Chad, Burkina Faso).

These 4 countries are amongst the 10 poorest countries of the world.

Those 4 countries claim for "the total eradication of production and exportation of subsidies for cotton into 3 years". The economy of these countries is very much depending on cotton production. For Benin, it represents more than 75% of exportation revenues, half of the same for Mali and for Chad. Cotton is the first exportation good.

Taking the ground support of more than 20 countries and also with the support of Brazil, they succeeded to put this issue on the agenda of Cancun ministerial Conference in September 2003. The argument was that this kind of "export key-culture" for the developing countries must benefit from a special treatment from the rich countries.

The example of cotton represents a unique case of developing countries competing directly with industrialised countries. Costs of production are 3 times more in USA. In spite of the good quality of the cotton production, the hand pluggers, African countries who are exporting 95% of their production are the losers because of the subventions which inflate artificially the offer and make the price less for exportation.

While demanding the suppression of subsidies, Africans also request respect of the market law, in conformity with WTO regulation. The final text of Cancun does not even say a word on this. This demand seems to be heard only by the EU who has formulated a timid promise to incite the Greek and Spanish producers not to make profit out of the subsidies from their states. The support of US and EU governments to their producers represents _ of the total value of the global market.

USA government has proposed to the African countries to diversify their agricultural production and to renounce to the cotton production. They are insisting that cotton should not be treated separately but should be included in a global agreement aiming to reduce all subsidies.

By the end of July 2004, during a WTO General Council in Geneva, a compromise has been found by USA and African countries to release the cotton's dossier. African countries would accept that cotton will not be treated as a special product and USA would envisage a substantial reduction of the internal subsidies, but without establishing an agenda. The agreement proposes that a sub-committee be created to deal with this issue. It requests the WTO to consult WB and IMF to finance additional programmes to African cotton producing countries. The agreement finally says that cotton should be treated in a "speed, specific and ambitious way".

- **IMF, International Monetary Fund – WB, World Bank**

Their role in the development of export in cotton production in the Southern countries is important, with export's subsidies, in the beginning. Those subsidies are no more existing today in the Southern countries. Even if, export resources are still quite important in terms of foreign currencies.

For a long time Cotton in Western African countries have been under the control of States societies. Progressively, the states have followed the prescriptions of WB while favouring the liberalisation and privatisation processes. First of all by giving to private sector the importation and distribution of fertilizers and insecticides, then while opening to private actors, the activity of cotton shelling and transformation in cotton fibres, sold on the world market.

Very often, privatisation and re-structuration of cotton sector are mentioned in the pre- conditions to get funds allowed to the PPTC (Poor and very much indebted Countries). The SAP (Structural Adjustment Programs) are not only meant to impose changes of economical policies that permit the refunding of the external debt but also make the countries dependant of IMF and WB.

The fall down of the world cotton prices have weight down the debt and have diminished the incomes of exportation. In the same time WB and IMF has risen, only for a little, the amount of cancellation of the debt for Mali and Burkina, and without allowing any reduction for Benin and Chad.

Africa as cotton country risks to be pushed aside from the production and world market for the benefit of countries less competitive but much more subsidised. The situation is rather paradoxical: being eliminated from the market even while respecting the concurrence regulations. WTO, IMF and WB should be questioned as they promote for years the liberalisation of African Countries.

The opening of the markets recommended by international institutions like WB blown up the second hand clothes market and old clothes sold for very low prices that really strangle the local handy crafts and force a lot of textile enterprises to close their doors.

- **FAO, United Nations Organization for Food and Agriculture**

A study published by the FAO in April 2004, estimates that world cotton prices could raise up to 3,1% to 5% if subsidies were eliminated.

- **UNCTAD, United Nations Conference for Trade and Development**

A recent UNCTAD report mentions that on 14 important export's products for Africa, 12 have suffered from a big price instability between 1960 and 2000 and 9 of them have were suffered from a real reduction along the years.

Agricultural products, like cotton that suffers from so many years of the deterioration of the exchange terms are nevertheless the main source of employment and income for millions of African families.

In its February 2004 report, UNCTAD mentions that the majority of African countries are suffering from a commercial structure that exposes them to a continuous degradation of the exchange terms.

This of course questions a lot, the budgets allowed by the public powers to development programmes. This makes the governments more and more dependant of external help and raise the weight of external debt.

- **STN, Trans national Societies**

Transgenic cotton troubles the African producers, especially because of the threats for health and environment. In 2005, 24 % of the total cotton surface is planted with transgenic cotton varieties. In 1997 it was only 2%. This transgenic cotton contributes for more or less 34% of the world production and represents more than 30 % of the world exports. (Le Monde 04-02-05)

Two companies, Monsanto and Syngenta, have started tests with some African research institutes.

National committees in some countries reflect to the decision they should take, regarding the use of transgenic cotton in their countries. Only, South Africa and Burkina have adopted a legislation accepting and following the research on transgenic cotton .

3. Perspectives for the future

a) Human rights

USA and EU, with their supports to exportation, lead cotton policies incompatible with their international promises regarding cooperation for development and respect of fundamental rights.

The fall down of the cotton world price has directly contributed to the brutal fall down of monetary incomes of the small producers and governments of Central and West Africa. The incomes coming from exportation being reduced. The resources allocated to education and health, have also been reduced. The fall down of the cotton rate thus strongly affects the right to a sufficient level of life ensuring health and well fare.

There is a perspective for the future: the African countries finally manage to put the cotton issue in the agenda of WTO negotiations. They are not asking for preferential treatment but they only ask WTO rules to be respected. The African civil society from its side say more and more strongly, its determination to be listened and to see its rights respected.

b) Towards solidarity economy

The suppression of the supports provided by the US and the EU to their producers would allow in a short term, to reduce the cotton production of those countries. The cotton's price would go up again and the African cotton producers would have a better access to the market with, as a consequence, more income. This would be the affirmation of solidarity between Northern and Southern producers and governments.

An alliance between African cotton producers and many big Southern countries, in particular Brazil, show the concern to create a South South solidarity, a community of interests in order to have more weight in the WTO, as they have convergent interests in this issue.

As they are conscious of their rights and of the force they are representing, the **network of farmers** organisations and agricultural producers of West Africa (ROPPA) works with farmers organisations in several countries and proposes alliances between NGO's in African and Northern countries

CIDSE and CARITAS INTERNATIONALIS, the international Catholic networks, have decided to analyse necessary strategies to support cotton producers and their communities in Africa while helping them to understand the mechanisms of the cotton market and the relation between their situation and the functioning of the international prices.

c) Food Sovereignty

Cotton is the product, which has given the small producers access to the monetary economy. In the actual context, they are facing a difficult choice: whether to continue to produce cotton, while expecting an economic recovery or to opt for other product to grow. But very often there are no viable alternatives to the cotton production.

The diversification of the agricultural production could be a solution to stop the dependence of the single culture of cotton. Nevertheless, those who have opted to grow cereals, for example, have produce enough for their food, but very often they are facing severe financial crisis as they get ridiculous price from their surplus. The producers are thus the victims of the buyers who are taking advantage of the situation, especially during the period between two crops.