

Special Edition: Cotton

**An overview of the West
and Central African cotton sectors,
*by the actors.***

*Under the direction of:
Dr. El Hadji Diouf*



**African Agency
for Trade and
Development**

Special Edition: Cotton

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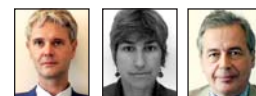
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What's the use of publishing one more special issue on African cotton?!

“We have been writing and writing and writing... but cynically, little progress has been made,” said a cotton expert who wants to “continue working on concrete issues with real comparative advantages”. So, he politely but firmly declined the invitation to write an article for yet another publication on African cotton. While it was being drafted, this special issue on African cotton triggered various reactions from those involved, ranging from stimulation, desire for change and the search for synergies to weariness and frustration. Why haven't the sector's problems, which have been analysed at domestic and international levels for at least nine years now, been appropriately solved yet?

This ambitious project outlines the situation of the cotton sector in West and Central Africa by asking various experts to express their views, and builds a platform where concrete, technical, realistic but ambitious crisis-resolution proposals could be made. Its success depends on the interest and mobilization of players in the cotton sector.

Hence, this special issue is not “yet another” publication on cotton, at least for two reasons:

- It is less a summary and more a platform pooling different expert opinions. This West and Central African cotton sector situation analysis will be developed like an organic mosaic such that when viewed as a whole, we will understand how to support cotton in the sub region.
- From our keyboards, we are the ears, relays and amplifiers of analysis. We welcome constructive dissonances and contrary analyses. We need your reactions, criticisms and expert opinions. The quality of this tool depends on you, expressing your needs.

The challenge is considerable; this special issue aims at being a catalyst and hopes to contribute to reflections to feed concrete actions. It is a knowledge-sharing and interaction forum proposing new channels for the defence and support of the cotton sector and presenting quality initiatives.

You, dear readers, committed actors in and for the cotton sector, are invited to make use of this tool. It is only with your contribution that we will succeed in making it effective.

What is the analysis of AProCA, POPPA, ACA, Sahel and West Africa Club on the current situation of cotton in West and Central Africa?

What is the Niger born designer's understanding of the role of fashion in the value-adding of African textile production?

What are the roles and activities of CORAF, GIZ, AFD, the European Commission, or Cos Coton in the cotton sector?

What can African countries learn from Brazil's experience with the Dispute Settlement Body of the WTO? Could the dispute settlement approach end the impasse on the cotton issue? Could it be the only remaining option for African countries at the WTO?

What tools could be used to protect an African textile market?

If these questions and many others pique your interest, then read through the following pages and send us your feedback.

This special issue could not have seen the light of day without quality contributions from various authors, the patience and collaboration of the secretariats of their different organizations and CIRAD which graciously provided us with photos. On behalf of the 2ACD team, thank you most sincerely. ■

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Its main missions are:

- Harmonising the different African trade policies at multilateral, regional and bilateral levels
- Providing African negotiators with technical information necessary for drafting negotiating positions
- Building the capacities of African stakeholders in trade negotiations: governments, civil society, production sector, academic milieus, etc.

● **Annick GOUBA**
Manager,
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The situation of cotton in West and Central Africa

By **J. TISSIER, A. LEGILE, L. CAFFERINI, P. DIERICKX, J.-. PECRESSE** - Engineers - AFD

Questions are periodically asked about the future of cotton in Africa, especially in the CFA zone, where the notion of a “success story” put forward by some has been deemed to sometimes be merely approximate.

After the record highs of the 2003 season, when production in countries of the Franc zone stood at 1,120 million tonnes of cotton lint, representing slightly more than 4% of production worldwide and close to 15% of total exports, production in West Africa dropped by half and in 2008/09 represented only about 2% of worldwide production and 7% of exports. Since then, a slight increase has been observed (492 000 tonnes in 2009/10, and then 619 000 tonnes in 2010/11), but **production currently in the Franc zone countries represents only 2.5% of production worldwide.**

The weak influence of African countries in the economics of cotton in the world, the rising volatility of cotton prices¹ in the world market, the pegging of the CFA Franc to the Euro and the depreciation of the US Dollar² – quotation currency for cotton – and finally the rise in production prices which relate to the petroleum price hikes and the resulting increase in cotton inputs (mineral fertilisers³ especially)-. Ginning costs and marketing costs are some of the stumbling blocks of the underexposed cotton sectors of the CFA zone.

In addition to these different constraints, there are the **repercussions to the support measures taken by Western countries (USA or EU) and China (for instance, the distortive impact on world prices is officially recognised today by the WTO and was evaluated at around 15%), the weakening of the system** (bankruptcy of several small and medium-sized “traders” in late 2008, including Reinhart USA) and the

The weak influence of African countries in the economics of cotton in the world, the rising volatility of cotton prices in the world market, the pegging of the CFA Franc to the Euro and the depreciation of the US Dollar – quotation currency for cotton – and finally the rise in production prices which relate to the petroleum price hikes and the resulting increase in cotton inputs (mineral fertilisers especially)-. Ginning costs and marketing costs are some of the stumbling blocks of the underexposed cotton sectors of the CFA zone.

concentration of the international agro-business in cotton (around Louis Dreyfus and Cargill), which is still difficult to fully measure and also evaluate its consequences.

At the same time, **the gap in productivity between the cotton sectors of West Africa** (which was nevertheless a result of their integration, but has yielded significantly higher technical results than their East African counterparts) and **the rest of the world at large.** Yield per hectare is a good illustration of this. In the early 1980s, cotton lint yields stood around 400kg, in West Africa as well as worldwide. The world average rose to about 750 kg in mid- 2000s, while at the same time, West Africa barely managed to maintain its production. The use of irrigation – which concerns 60% of the total surface area of cotton farmland – clearly explains this gap for the most part, as the results are similar to those evident during a period of intensification similar to a first green revolution. The average global rain-fed production today is only about 450kg. With the exception of Brazil, a country well above the others and one which drives the world average up, West African countries always have some of the best results among rain-fed crops. It however appears that a new gap has been created by the introduction of genetically modified varieties from 1996.

Still, it would be reasonable to believe that the future of African cotton is promising.

It would be unnecessary to stress the fact that even in a period of crisis, **cotton still holds an important place in the economies of several countries in the Sudan-Sahel region**, because it directly or indirectly contributes to the livelihood of a substantial number of these people and is a major source of foreign exchange for these countries.

Also, **producer strategy structuring and industry sector organisation which are behind the highest performing systems in the region, are major assets.** They facilitate the management of supply and marketing functions of upstream sector stakeholders. These functions have not always been managed satisfactorily in other agriculture systems, particularly food crops.



François Giraudy

The highly heterogeneous results observed among farmers at the farm yields level and on work output show that **there has been major progress.** While it is still premature to assess the impact of introducing genetically modified varieties which are already considerable in Burkina Faso⁴, the impact of some of the agricultural techniques used are quite visible today (for example, organic fertilization, using inputs for soil fertility management and reasoned parasite management, light animal-driven mechanisation which ensures an earlier development of cotton farmland, etc.) and other techniques show promising signs (direct seeding under vegetation cover).

Work on quality (for instance, reducing contamination by synthetic fibre from bags used for cotton fibre storage, automatic classification of cotton fibre) has also begun to pay off, thereby ensuring that African cotton regains its prestige.

The capacity for resilience of cotton producers is even higher as unfortunately, production alternatives and diversification prospects are limited (for example, cereals, sesame, sunflower, soy, groundnuts, cashew and tubers in the most water-fed areas). Some-

¹ And periodically the depressed prices of cotton fibre in US\$: the Cotlook A Index remained significantly below 60 US cents per pound from July 2004 to August 2007, then from November 2008 to April 2009;

² The US Dollar value dropped from 1.16 Euro in February 2002 to 0.83 in April 2004, then 0.63 in April 2008 and stands today at about 0.74 Euro.

³ Consequently fertiliser prices in Cameroon rose from 220 CFA/kg in 2004 to 340 CFA in 2008 then to 520 CFA in 2009.

⁴ In Burkina Faso, the farmed surface areas for genetically modified cotton in 2009/10 was over 130 000 Ha and in 2010/11 it was close to 275 000 Ha, that is, two thirds of the surface area.

times it is restricted to niche markets which in turn face sometimes crippling climatic or economic difficulties.

At the international level, demand continued to grow in 2010/2011 and then again in 2011/2012, driven by China and India's⁵ textile industries needs. With farmland and, consequently, world production increasing in 2010/11 and 2011/12, supply should ensue and the global stock-to-use ratio should stay below the fifty-year 50% threshold.

After several difficult years (partly caused by external factors such as the international economic and financial crisis), world cotton prices rose from mid-2009, thereby allowing several cotton producers to avoid new deficits (or at least, limit them). With unprecedented levels at over 200cts/pound early in 2011⁶, the Cotlook A Index in early March 2011 was estimated⁷ at 161 cts/lb for the 2011/2012 campaign. **Thus, this could be a very positive year for African cotton** as it is likely to put them back in the game and boost the confidence of the producers. In the future, it is however important to follow the evolution of the relative price of cotton as compared to alternative mainstream productions (cereals or oilseeds). This would explain for the most part, the decline in production in 2006/2007 and in 2007/2008, and then the ascending increase since the summer of 2009.

Although there has been an increase in cotton farmland which has led to lower prices during the ongoing campaign of 2011/2012, observers expect that they should **remain above the past ten-year average**.

On the whole, the **West African cotton production system seems sustainable**. In comparison with competing systems on other continents which are fuel, fertiliser or pesticide efficient, production is water-efficient, as it is rain-fed farming.

This upturn, resulting from robust world prices and a stronger US Dollar, should however not lead these sectors to limit or postpone the needed planned



Krishna Naudin

restructuring efforts. Some countries would consider the needed institutional reform is, for the most part, behind them.



Senegal privatised its cotton corporation, SODEFITEX, which is controlled today by GEOCOTON.

The institutional landscape seems relatively set, with producers organized under the national cotton producers' federation; Fédération Nationale des Producteurs de Coton du Sénégal (FNPCS).

Recent years have been difficult (only 20,000 tonnes of cotton lint in 2009). This led to producers increasingly losing interest in cotton in favour of groundnuts and the strategic production of which was encouraged by the authorities and thus continues to benefit from regular support.

The privatisation of SONACOS (now SUNEOR) and DAGRIS in France were beneficial to ADVENS Group. As a result of this, the former became majority shareholder in Senegal's groundnut and cotton sectors and enabled it to determine a comprehensive policy integrating oilseeds and agro fuels.

The cotton corporation intends to boost production (40,000 tonnes of cotton lint in 2011) and to re-establish, even exceed, its record level of 50,000 tonnes of cotton lint and thus fully utilise its five ginning plants (65,000 tonnes). SODEFITEX, at the same time, started a **cotton producer diversification support programme**. The introduction of a poly-culture livestock production system (groundnuts/cotton/corn) aims to diversify the sources of income and preserve the soil (which is in jeopardy in the entire basin). This system was approved by the stakeholders and an increase of the management teams has begun. SODEFITEX has also begun structuring the corn sector (for instance, the buying, the semi-processing and storage).



In Burkina Faso, the partial liberalisation of the sector in 2004 also shaped its institutional landscape for the long term. Consequently, alongside the long-standing cotton corporation SOFI-

TEX (which accounts for 86% of national production) two new private corporations have emerged; FASOCOTON (the Agha Khan and Paul Reinhart Group) in the central region and SOCOMA (GEOCOTON Group) in the eastern region.

On the whole, the West African cotton production system seems sustainable. In comparison with competing systems on other continents which are fuel, fertiliser or pesticide efficient, production is water-efficient, as it is rain-fed farming.

The sector is structured following a vertical integration model and is represented in all the three cotton producing sub-regions. Each company faces buyer's monopoly in their respective areas as there is an obligation to buy all the cotton lint produced there. This model is characterized by the supply of inputs on credit (this includes cotton inputs and cereal inputs) for producers, with the production of cotton lint being used as security. In addition, the announcement before sowing of a minimum season price for cotton lint has also been important.

The removal of the commitment of the State through the withdrawal from managing or directly steering the sector to concentrate on assistance and orientation with the liberalised cotton sector follow-up committee (Comité de Suivi de la Filière Coton Libéralisée) and the increased involvement of stakeholders are two important components of the reform. The two groups of stakeholders – cotton corporations organised under the professional association, Association Professionnelle des Sociétés Cotonnières du Burkina (APROCOB) and producers under the union, Union Nationale des Producteurs de Coton du Burkina (UNPCB) – came together under one trade union: Association Interprofessionnelle du Coton du Burkina (AICB). Producers hold capital shares in each of the three companies. As such, they participate as shareholders on the Board of Directors, and thereby have a better understanding of the difficulties they face.

The organisation of the sector **provided an innovative price risk management mechanism** (through the creation of a cotton lint price stabilisation fund (Fonds de Lissage) based on a price pegged on the international cotton lint pricing). The AFD allocated an initial 18 million Euros to the Fund in late 2007, but this amount is still below optimum projections made in feasibility studies.

The stabilisation of the institutional landscape, stakeholder accountability in governance of the sector, the use of adapted tools and the adoption of efficient practices are



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⁵ In the case of India, the remarkable development in recent years is that it moved from second world importer in 2001/02 to second exporter in 2007/08.

⁶ The Cotlook index reached a record 235.5 cts/pound on 18 February 2011. But this index is more of an indication of the level of transactions between "traders" and industrialists than between cotton producers and traders. It also refers to a period when the market is particularly static.

⁷ But due to the exceptional hike in current prices, doubts raised on the ICAC price determination model resulted in this estimate being based on price averages in the first half of the 2010/2011 campaign.

undoubtedly keys to the success of Burkina Faso cotton. After seven successive years of growth, **in 2005/06 it became the first in Africa with more than 700,000 tonnes of cotton lint** produced in over 300,000 family plantations and which benefitted nearly 20% of the total population of the country.

Since then, the sector has experienced difficult years as it has been caught up in a crisis mostly caused by external factors. Cotton corporations have accumulated financial losses and have been compensated in 2006/07 by the “Fonds de Lissage”, and the State had to intervene notably, to recapitalise SOFITEX (a company in which it became once again a majority shareholder, since GEOCOTON’s participation was dissolved following a capitalisation increase). Producers, confronted with payment delays and the appearance of internal outstanding payments to groupings, progressively concentrated on other crops. In spite of this, during the difficult years, the sector maintained levels above 350,000 tonnes.

The crisis damaged confidence between cotton companies and producers, with the latter developing more opportunistic behaviour than in the past. Despite the announced price of 182 CFA Francs at the beginning of the 2010 campaign (as against 160 CFA Francs of the previous year), despite companies’ efforts to reduce the payment periods and despite maintaining the transfer price of inputs thanks to State subsidies, the surface area of sown land barely increased in 2010/11.

The vagaries of rainfall in June and the price of GM seeds influenced the size of sown land and sowing density. Yields remained below expectation (less than 1t/Ha), as the large scale introduction of genetically modified cotton (66% of sown land in that season) did not generate the spectacular output increase expected although parasite pressure remained low. In the end, production barely reached 400,000 tonnes, which is well below the objectives set⁸ at the beginning of the harvest. Cotton companies were clearly **worried about this slow revival**. They anticipated a volume discount on the price in paying 200 CFA Francs for the cotton and announced a complementary price at the end of harvest. They paid up quickly and organized massive communication campaigns to spread the news. Expectations for cotton cultivation have increased but have not yet reached the anticipated levels and producers, being careful, have preferred to wait for the 2011/2012 price announcement before making their decision. Also, the ongoing political crisis in Ivory Coast is of deep concern to the Burkina Faso cotton sector: increasingly frequent power outages⁹ penalise the functioning of SOFITEX ginning plants, and cotton can no longer be exported nor fertiliser imported via the Abidjan port,

thereby significantly increasing transport costs.

Current support for the cotton industry in Burkina Faso is most evident in the project to develop the cotton sector at the institutional, technical, economic and environmental levels. This project, which received 11.6 million Euros in subsidies from AFD, along with an extra 5 million US\$ from the World Bank, mainly aims to build the capacity of producers and their organisations. The delay in developing management assistance activities for plantations and groupings could extend the project to 2012. This extension will thus help UNPCB at a critical period, especially given that it suffered a major crisis in 2009/2010 and has renewed most of its elected officials.

The 2011/12 campaign will be a determining period. Major institutional changes are expected: for instance; adjusting the “Fonds de Lissage” mechanism, the financial restructuring of SOFITEX (with the sale of State held shares, which is currently 51% of share capital) and the industrial restructuring of SOFITEX (with the redistribution of exclusive zones between SOFITEX and FASO COTON for the benefit of the latter).

Challenges also include the sector’s capacity to positively and strongly react to current price hikes. The accumulated deficits during the crisis period and cash flow difficulties hindered cotton companies from taking full advantage of the increase in prices in 2010/2011.

Other countries underwent more radical institutional reforms which mostly disrupted the sectors and led to major difficulties which persist today.



In Ivory Coast, the organisation’s principals identified in 2002 for the privatisation of the sector (break in vertical integration and privatisation by trade) led to **some isolation in the sector** which found itself without the support of its long term partners (the AFD and DA-GRIS).

After a period of anarchy and loss of confidence among stakeholders and due to some of the governance deficiencies in the sector (such as random harvesting and no cooperation between ginners, the production drain of neighbouring countries, producers not paid, fraudulent bankruptcy and liquidation of one of the operators, etc.), **the Ivorian cotton sector suffered the direct consequences of the political crisis** of the last few years (for instance, loss of the comparative advantage of proximity and the high standards of the Abidjan port). From almost 400,000 tonnes of cotton lint in 2001/02, production steadily dropped to a threshold of 120,000 tonnes in 2007/08.

Today, producers have come together under a federation; the AFFICOT-CI, (Association des Faïtières de la Filière Cotonnière de Côte d’Ivoire). The national association of professional agricultural organisations of Ivory Coast (ANOPACI) has been implementing, since January 2009, a programme titled “Ac-

tion de restructuration et professionnalisation des organisations professionnelles agricoles de la filière coton”. This European Union funded programme is in line with the general framework for boosting the cotton sector in Ivory Coast and is working on its restructuring, while 26 holding companies seem to co-exist today.

Cotton companies, six in total, utilise 13 plants with an installed capacity of 523,000 tonnes. They have joined forces under the Association Professionnelle des Sociétés Cotonnières de Côte d’Ivoire (APROCOT-CI).

The AFFICOT-CI and APROCOT-CI are both members of INTERCOTON, the inter-professional organisation created in 2000.

A support programme to reorganise the cotton sector was established with the financial support of the EU (over 15 million Euros), which concerns the paying up of overdue obligations relating to the bankruptcy of one of the companies and improving the sector’s productivity by re-launching animal draught cultivation and the production of improved seeds. Part of it also aims at promoting inter-professional management of the cotton sector.

The result of the latest harvest seems to reflect **some of the renewed interest among producers** (60,000 producers in 2009/10)¹⁰ since partial State subsidies on fertilisers contributed to reducing production costs. It may exceed 210,000 tonnes in this 2010/11 harvest, thanks among others, to a new variety of seeds, .

Currently, the serious political crisis is unfortunately stalling the revamping of the sector. It is hindering the sector from renewing ties with its usual donors, thereby blocking cotton companies from having the funds they need in order to supply producers with agro-inputs and to pay them on time during harvest.



The cotton sector in Benin is the archetype of the liberalised sector under the aegis of the World Bank, which has since

1992, overseen this country in its efforts to implement liberal policies. Vertical integration was thus removed as the subsectors of input supply, ginning, commercialisation or producer assistance were entrusted to separate but mostly private, yet also public (i.e., notably research and popularisation entities).

This restructuring/privatisation undertaken from 1992 onwards turned out to be a failure. The laxity of political authorities vis-à-vis stakeholders (ginners, input suppliers and producers) who do not respect the rules of the game, and the lack of involvement of elected representatives in the management of the sector (this includes the administrative arsenal of the AIC [Association Inter-professionnelle du Coton] being the obvious solution) and resulted during the period of unfavourable and eroding world prices in outstanding payments. Producers progressively lost confidence in State institutions and in the sector. Professional structuring proved to be delicate and producers have not yet succeeded

⁸ . 587, 050 tonnes of cotton lint

⁹ . Part of Burkina Faso electricity supply grid is linked to the Côte d’Ivoire/Ivory Coast network

¹⁰ The number of producers, 150 000 before the crisis fell to 48 000 in 2008/09

in federating third parties into a single professional association.

Production was stable when it reached approximately 350,000 tonnes of cotton lint over ten or so years. After peaking at 410,000 tonnes in 2004/05, production has currently dropped well below 200,000 tonnes. **Consequently today, an industrial park with a capacity of 600,000 tonnes would be far too large.**

In spite of the new authorities showing interest in the sector (this includes processing outstanding payments and developing a project to stabilise and boost the cotton sector) and their will to reorganise the sector (for instance creating national councils of stakeholder groups, concluding the privatisation of SONAPRA with the sale of industrial shares to the Talon Group and creating the cotton development corporation, i.e., SODECO – Société de Développement du Coton), it appears that confidence is still flailing. With multiple functions including ginning and commercialisation of fibre, but also upstream promotion of farm production and downstream processing, SODECO was in a de facto dominant position. It consequently controlled 90% of active ginning units while the private company, LCB, controlled the remainder.

The level of arrears of payment to producers is crippling (close to 3 billion CFA Francs). Despite having some of the highest campaign prices in the sub-region (190 CFA/kg of cotton lint for 2010/11 and 20 CFA for critical functions. Added to this was a potential 5 CFA premium if production reached 50,000 tonnes; 250 CFA/kg of cotton lint for 2011/12) but **producers still prefer food crops** (cereals, soy, cassava) which the government has made considerable efforts to promote including subsidized inputs and small equipment, partial buying at guaranteed prices in the wake of the 2008 crisis. Consequently, cotton production reached rock bottom levels in the period of 2009/10 at only 160,000 tonnes.

However, the 2010/11 campaign seems to have helped the industry bounce back, since production is expected to reach around 220,000 tonnes.

This slight improvement in production is explained by a series of measures taken to stabilise the sector through the Association Inter-professionnelle du Coton, working in collaboration with the Ministry of agriculture. They have created village cotton producer trade unions, which should result in better management of solidarity¹¹, thus sensitizing grassroots producers and also stimulating input credit committees through the full payment of producers for the 2009/2010 harvest.

Although the AFD was highly critical of the selected scheme which was similar to the Ivorian scheme, it continued to support the sector and also concentrated on supporting the professional producers notably via the exploitation council (Projet d'Appui au Développement des Systèmes d'Exploita-

tion (PADSE) followed by the Projet d'Appui aux Dynamiques Productives Agricoles (PADYP) to the tune of 10 million Euros), which is dedicated to developing a component for management assistance for producers' organisations, especially in the cotton growing areas.

Thus cotton revival prospects in Benin are still uncertain.



Togo's cotton production also collapsed in recent years.

After peaking at 190,000 tonnes of cotton lint in 1998/99, production crashed in 2005/06 and stagnated at around 30,000 tonnes in recent years. This situation, like elsewhere, can be explained not only by the **relative decline in cotton prices, but also by the implementation of poorly prepared or abortive reforms and ultimately by the producers' loss of confidence**, who for example were only paid for 2003/04 and 2004/05 in 2007! The arrival at individual moments of private ginners (SICOT from 1994 onwards, then SOPIC in 1999 and SOCOSA in 2001) without a regulatory institutional framework, led to **overinvestment** which is more glaring today since these three companies went out of business in 2005. The degradation of the governance of the SOTOCO corporation also explains for the most part the company's inability to pay its debts to producers.

Producers' lack of interest led to reduced farmland and yields - which was practically halved in ten years also amplified the break in support for the producers as well. There was a decline in cotton research following their transfer to new structures, namely; the Technical Advisory and Assistance Institute – ICAT (Institut de Conseil et d'Appui Technique) – and the Togolese Institute for Agricultural Research – ITRA (Institut Togolais pour la Recherche Agricole).

Producers continue to be wary despite efforts made by the authorities (with support from STABEX) which took over arrears of payment to producers. They liquidated SOTCO which was in bankruptcy and created in January 2009 the cotton corporation; Nouvelle Société Cotonnière du Togo (NSCT). Under a national federation of cotton groupings (Fédération Nationale des Groupements de Coton – FNGPC), they obtained 40% of the corporate capital of NSCT, but the reform process is not yet complete. Institutional, organisational and technical capacity building of the FNGPT was a priority. Also, the privatisation of the cotton corporation is yet to be completed (by assigning the majority shares of the State to a private buyer) and the institutional landscape needs to be completed with the creation of an industry sector.

In 2010/11, production increased slightly (60,000 Ha produced 40,000 tonnes with a cost price of 185 CFA Francs). The outlook for 2011/12 is reasonable with 80,000 tonnes. The authorities hope to produce 100,000 tonnes of cotton lint by 2013, which should increase the sector's attractiveness to investors.

Finally, some countries did not (or only partially) implement any institutional reforms of their cotton sector. It remained more or less consistent with the traditional model developed in West Africa with a sector incorporated into a public corporation which had a buyer's monopoly.

However, some variants can be observed; some countries remained relatively static and others evolved mostly following the increased involvement of producers.



In **Mali**, the implementation of the institutional reform of the cotton sector, as expected by financial partners of the country was

blocked for political reasons considering the financial difficulties of the cotton corporation, the CMDT, and the high level of public transfers in its favour. **In recent years uncertainty regarding the privatization of the CMDT** added to the long-standing problems of West African cotton. These included the erosion of competitiveness, serious financial difficulties in the corporations which needed to be highly recapitalized and the appearance of arrears in the payment to producers and their loss of confidence, as well as the investiture required for cotton farming). As such, cotton's direct contribution to the national GDP was only 2% in 2008. Subsequently, the value of cotton exports diminished year after year until it represented 11% of total exports.

For a long time, the Mali cotton sector was the first in West Africa to have a strong growth rate in its production sector during the decade following the devaluation of the CFA Franc¹². Production rose from 405,000 tonnes of cotton lint in 1995/96 to its record level of 620,000 tonnes in 2003/04. Since then, production steadily dropped and then collapsed following the fall in cotton prices in the CFA exchange value, the CMDT's financial difficulties and consecutive payment arrears, and reached its 20-year low with 201,000 tonnes, despite an attractive producer price of 200 CFA/kg in 2008/09.

Nevertheless, producers started to regain confidence in the CMDT once their arrears were paid in August 2009 and when the authorities decided to subsidise fertilisers and promote caution circles within the cotton producer cooperative associations.

¹¹ Contrarily to their neighbours, Beninese cotton producers failed to unite under a single organisation although one of the networks represents a significant majority of farmers. Also, the State has always been actively involved in structuring, creating producers' national councils which were supposed to bring these networks together and form a single liaison. Thus, the State invalidated the latest re-election of representatives to these councils and set rules for the next election, thereby blocking previous representatives from standing again for elections. Finally, recently farmers' cooperative associations were briskly created to replace rural producers' groups in the 18 most productive districts of the country. The purpose of these cooperative associations is to sign up on direct partnership contracts with AIC, thereby scrapping the role of the networks and their branches at different geographic levels. This new organization should be effective for the next campaign but raises several concerns about its effective operational structuring.

¹² With the exception of 2001/02, when a cotton producer strike reduced production by half.

¹³ But the distrust of the largest producers with regard to joint surety continued...

Thus, in 2009/10, some producers who had turned away, returned to cotton¹³. However, due to poor rainfall, yields did not reach expected levels¹⁴ and production barely reached 230,000 tonnes, which is well below the set goals.

The international market evolutions ensured that at the end of the campaign an additional producer price was paid, as well as additional amounts which went towards a support fund. A contribution was also paid into the recurrent budget of the cooperative network.

The 2010/2011 campaign started under excellent climatic conditions as it was stimulated by early sowing and good crop installation. Despite some instances of drought between June and July, **the campaign was promising** and confirmed the observed revival of recent years. With over 280,000 Ha farmed, production was expected to reach 260,000 tonnes, that is, a 14% increase from the 2009/10 campaign. But yields were still insufficient with less than a tonne per hectare and as such, the sector was not competitive enough and could not significantly improve producers' income. Finally, credit performance ratios were still unsatisfactory.

The 2011/2012 campaign plan which is based on a 367,000 Ha surface area and an average output of 1,010kg CL/Ha, projects that about 370 000 tonnes of cotton lint will be produced. Producer price could be set at 255 CFA/kg (which is a 38% increase from the preceding campaign). This is likely to speed up the revival of cotton farming as observed during three campaigns now.

At the same time, **the cotton sector reform process seems to have entered a decisive phase**. The CMDT first of all "branched out" in September 2009 with the creation of four subsidiaries and a CMDT Holding. A social plan signed in early January and entirely financed by the State, was executed.

The invitation to tender for the privatisation of the subsidiaries through spinoffs of majority blocks of shares by the Holding published on 22 February 2010 ended in the pre-qualification of six companies in May 2010. From the analysis of technical and financial packages, the first provisional selections were made. **New Asian investors are potential final allottees**, and could thus join cotton production in West Africa.

Each private investor would hold 61% of the corporate capital. Agricultural producers and the company's paid staff would join together capital shares and hold 20% and 2% respectively. The State would keep the remaining 17%.

The institutional landscape is progressively being shaped.

The structuring of producer associations has been completed with the creation of Union Nationale des Sociétés Cooperatives de Producteurs de Coton du

Mali, which federates the different regional, sectorial and district levels, bringing together the 7,000 cotton producer cooperative associations.

An industry sector, namely the Inter-association Professionnelle du Coton (IPC), created on 3 February 2009, brings together the UNSCPC and Association Professionnelle des Sociétés Cotonnières du Mali (APROSCOM), but it seems to still be dysfunctional. It will ensure that the different professional groups involved in the sector will jointly manage critical functions and common interest issues: information system on subsidiaries, campaign plans, producer price determination mechanism, inputs supply, assistance management, agricultural research, seeds, rural roads, etc.

The creation¹⁵ of a cotton ranking board (100% of its shares are held by the CMDT) completes the new arsenal.

The creation of a sector regulation board (ARSC) is also being examined (the Bill was adopted during the cabinet meeting of 9 February 2011 and tabled for scrutiny before the National Assembly).

Finally, a cotton development strategic framework and a cotton assistance policy letter were adopted in 2010, thereby confirming the political will of the State of Mali to continue to be involved in regulating the sector. Their targets include increasing the productivity, competitiveness and sustainability of the sector, improving management in the sector through consultations and establishing protective measures against global price fluctuations.

The AFD is directly involved in supporting economic development in the cotton producing regions of Mali, with an 11-million-Euro project (Programme d'Amélioration des Systèmes d'Exploitation PASE2), comprised of two components: improving governance in the cotton sector under the framework of institutional reform and increasing the productivity and sustainability of farm holdings. Given the precedent obstacle pertaining to the CMDT was removed, the project is nevertheless getting off the ground, and the related activities will begin in the coming months. The AFD is also indirectly involved through the support structure offered by the BNDA, the National Bank for Agricultural Development thus enabling it to diversify into microfinance institutions.

The completion of the privatisation process currently conditions the recommencement of investment in the sector and the stimulation of donors' interest in order to contribute to developing the sector.



Cotton production in **Cameroon** evolved similarly to that of Mali. After a post-devaluation decade,

where production increased steadily and reached an average of 225,000 tonnes of cotton lint in that period before peaking at 306,000 tonnes in 2005/06, cotton production crumbled to its lowest level of 110,000 tonnes in 2007/08 and 2008/10. Since then, it has been struggling to recover.

The 2010/11 campaign should however show a substantial improvement with a slight increase of over 150 000 tonnes. This improvement is partly explained by an increase of surface area boosted by the announcement of a high producer price¹⁶, a drop in inputs transfer price and the stabilization of the situation of groups with the exclusion of bad risks. It is also explained by the net yield increase, thanks to new cotton varieties¹⁷.

Reforms recently undertaken by the cotton corporation, SODECOTON, are progressively being put in place and contribute to boosting the sector. The clarification of duties between SODECOTON and the Cameroon National Confederation of Cotton Producers (CNPCC) resulted in the corporation re-focussing on technical advice and management of issues relating to group management and input credit. The removal of some activities (literacy education) reduced some of the management costs while at the same time some by-products added in value (cottonseed meal). A controlled diversification into soy is an anticipated objective, as it does not in itself undermine cotton production. Similarly, SODECOTON reflected on the production model by imagining new relationships with more specialised producers, by experimenting with genetically modified seeds. The sector is seeking to diversify its financial partnerships and collaborate with the State, which for example in the last two years encouraged the subsidising of fertiliser use.

Like the Burkina Faso cotton sector, it intends to quickly establish a "Fonds de Lissage" to sustainably boost campaign profits.

The continuation of the current "water, soil, tree" project which tackles the sensitive issue of soil preservation is currently planned to form part of the Debt Development Contract Agreements signed between Cameroon and France.

Despite being on the agenda for over fifteen years, **privatisation did not advance** since the aborted attempt to take over control in 1994 by a group of personalities in the northern part of the country (who nonetheless held 11% of corporate shares), and finally disappeared from the agenda. With 59% of direct or indirect shares, the State continues to

¹⁴ Yields peaked at 915 kg/Ha and was below the preceding year's levels.

¹⁵ With financial support from the World Bank

¹⁶ 200 CFA Francs for first quality to which is added premium of 10 CFA Francs

¹⁷ With the gains per hectare estimated at 200kg, average yields reached 1.1 tonnes of cotton lint per hectare. Note that new varieties also contribute in increasing sowing rates which reached 42%.

supervise the corporation, while GEOCOTON holds the rest. Organized under the Cameroon National Confederation of Cotton Producers (CNPCC), producers who in the past created a Cameroon Cotton Producers Investment Corporation (SIPCO) saved 5.5 billion CFA, but found themselves excluded. They are however closely involved in the functioning of the sector because of a close partnership with SODECOTON and are now in charge of the strategic functions of supply, credit and group management assistance.



Cotton production in Chad has practically plummeted since the early 2000s.

Since 2006/07, production was approximately 100,000 tonnes of cotton lint, but this is still below previous levels. In 2009/10, in spite of an attractive producer price of 180 CFA/kg; cotton lint production dropped to 33,500 tonnes because of the lack of interest of the producers suffering from delays in payment and a failing management of logistics (no fertilizers were supplied). The farmed surface area was consequently halved in recent years and the yield per hectare, already among the lowest in the sub-region, collapsed (300kg/Ha on average).

Some consider the sector's state of affairs as demoralising. The industrial arsenal is substantially damaged by the lack of investment and maintenance. Indeed, the financial situation of COTONTCHAD was catastrophic. The authorities appear to have taken this into consideration. The Ministry of Trade became once again the supervisory authority of the corporation, a new management team was put together and a revival plan was implemented (with a dismissal of one-third of the staff). The rapid privatization of the corporation whether it was in negotiations with the World Bank since 1999, appears to be the only possible outcome. The adopted plan projects the forming of a single production lot involving all the industrial assets including oilseed crushing plants. The prior recapitalisation of the corporation is a point of debate with the financial partners.

Restoring producer confidence is a crucial challenge today as professional structuring (the Chad cotton producers' national union – UNPCT) is among the most fragile in the region and was disrupted when the government established a competing body in late 1999.

On the request of COTONTCHAD, sector analysis and the formulation of an 'action plan' for future agricultural campaigns were undertaken. A corporate scheme should

ensue. The sector's scheme should project a progressive resurgence of producer organisations in the management of the sector. Finally, the authorities will seek to develop semi-processing and the exportation of thread using options provided notably through concessionary agreements¹⁸ with the USA.

Finally, in some countries like Guinea and Central African Republic, cotton production is residual (with less than 15,000 tonnes of cotton lint in 2010/11) and in others like Niger, it has practically disappeared (less than 5,000 tonnes in 2010/11).

To conclude this overview of cotton production in West Africa, it is worth observing that Ghana, which is undergoing agricultural and rural development in the sub-region, and whose cotton sector had crashed following unfortunate institutional reforms (less than 10,000 tonnes produced in 2010/11), intends to revamp its cotton sector by drawing experience from neighbouring West Africa (particularly Burkina Faso).

Conclusion

West African cotton went through decades of **major institutional evolutions**, in varying forms depending on the country with equally differing impacts: production boomed in some countries and practically disappeared in others.

However, they all witnessed the **growing influence of producers** who through their organisations were more involved in the joint management of the sector thorough partnerships with cotton corporations. Some observers even imagine producers completely taking over cotton development corporations in the future, like their French counterparts did in the oilseed and protein crop sectors.

Although it is facing its own difficulties, Burkina Faso cotton increasingly appears to be a reference point for stimulating thinking in the countries which most recently invested in the cotton sector in Cameroon, Mali, Togo, Chad. The integrated character of the sector as well as the existence of a defined area where the ginning company is within a buyer's monopoly, and a solid industry sector are strong performance indicators of the sector. This is also what facilitated economic innovation with the activation of the mechanism to stabilise price volatility which proved its reliability after five campaigns. It is also an interesting response option in the face of the in-

creasing risk of price fluctuations.

Technically, the cost effectiveness of agricultural production systems in West African cotton producing regions is a long term asset which should become a determining factor with regard to the projected increase in the cost of petroleum goods and the rising competition in the different uses of water. There are major progress margins in developing cotton production, especially when integrating possibilities for complementary diversification with soy, sunflower so that the food crops present in the rotations (cereals, etc.) can benefit from the organisation of the cotton sector; and add value to by-products (cotton lint and cotton turned into compost or charcoal).

To add value to these assets, it is necessary to renew producer support and advisory mechanisms.

Institutionally, efforts regarding quality, cost rationalisation policies which are pursued within cotton corporations and investment in some of the commercial niches like equitable or bio-equitable cotton¹⁹ are elements likely to optimally benefit from price hikes and from the appreciation of the dollar against the Euro.

New institutional developments should be expected with the possible arrival of new investors (particularly Asian) interested in industrial production which would guarantee their supply sources.

Increasingly, donors are interested in the growth of these sectors as these organisations form an interesting reference point in contractual agriculture. This also incorporates partnerships formed between a private agro-industrial investor and a multitude of independent family-owned agricultural producers. Their support is always necessary, especially when building the capacity of producers and their organizations to implement reputedly critical functions such as research, roads, energy supply, technical assistance, which cannot depend solely on enterprise investment. ■

NB: This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

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¹⁸ African Growth and Opportunity Act (AGOA)

¹⁹ These niche markets could be determining in the case of national sectors with reduced production volumes like Senegal.

We don't eat cotton, but it feeds us...

Réseau des organisations paysannes et de producteurs d'Afrique de l'ouest (ROPPA)

The malaise of West African cotton farmers has become a recurrent complaint, echoed by the sector's stakeholders. Discouragement has reached a level at which the advantages of the sector are barely mentioned. The main grievances target the state for its inability to implement appropriate sector reforms and for its partiality in promoting cotton to the detriment of the cereal sector which is the top food security provider. It is true that since 2009 there has been an upward trend in international prices and, consequently, hikes in producer prices, but producer remobilisation is rather slow...

Remonstrations are legion in the sub-region with varying intensities from one country to another, although cotton farmers are almost unanimous in deploring a downward trend in their cotton revenues and a correlated drop in production. The reduced income is mostly linked to international market prices. One can recall that at some periods, cotton corporations sold at a loss on the international market to a point that States felt the obligation to inject money to pay producers and keep the corporations alive; dollar fluctuations also heavily impacted prices, expressed on the international market in dollars. The consequence was that African cotton paid a heavy price!

The downward trend in prices with all its implications such as deprivation of advantages changed producer crop rotation systems, in favour of other crops. In Burkina Faso and Mali, production practically halved between 2005 and 2008. Other factors such as rainfall, expensive seeds and reduced yields also contribute in explaining this drop in the performance of some countries like Burkina Faso. Nevertheless, one cannot help but observe that despite increased producer prices since 2009/2010, production has not yet reached the record levels of the 1990s.



Seydou Ouedraogo

However, to conclude that this sector is in a downturn and an inadequate source of income would be an excessively pessimistic opinion that Burkina Faso producer Seydou Ouedraogo does not share, recalling that cotton alone provides the livelihood for 3 million people in Burkina Faso. He is rather enthusiastic about the fall-out from the activity on the life of producers and indicates that all of them now own motorcycles and cars, and even real estate, although some have rented out properties in major cities in the country. Better still, by revamping some sectors like transport, processing, inputs trade, ginning and by encouraging women to develop income generating activities, cotton

farming contributed to reducing unemployment among youths as it created jobs in rural and suburban areas, and led to the setting up of industrial units (ginning, spinning/dyeing industries, animal feed processing plants). The economics of this observation is just as eloquent considering cotton's significant contribution to the domestic gross product (GDP) of the C-4 countries (Benin, Burkina Faso, Mali, Chad) ranging from 5% to 10%. Furthermore, cotton exports generate considerable revenues for the national economies of these countries (40% for Burkina Faso and Benin; 30% for Mali and Chad¹). Unfortunately, current contribution levels are low although cotton has the potential to boost other sectors.



Cotton or Cereals: The best way to manage the food security imperative

However, what appears less obvious is the direct impact of cotton production on collective wellbeing. In other words, the capacity of this white gold to serve as an effective instrument against food insecurity is yet to be demonstrated. Observers are not quite convinced about this and are basing their opinions on the results of studies which rather demonstrated high levels of food insecurity in cotton producing areas (the case of Mouhoun in Burkina Faso). Beyond this paradox, what is back on the table is actually the substantive debate on the relationship between cotton production and the imperatives of food security. It all depends on individual sensitivities and analysis of the subject matter. "We may not eat cotton, but the cotton producer is the best cereal producer," observed Mr Léopold Lokossou of the national farmers' platform in Benin (PNOPPA), inviting the state to define and implement a policy to assist cotton farmers in accessing inputs. For most farmer association

leaders, it is worthwhile to encourage complementarity between cotton and other cereals farmed in rotation. Seydou Ouedraogo gives two reasons for this observation: on the one hand, cotton inputs contribute substantially to improving cereal farming and on the other hand, revenues from cotton farming facilitate producers' access to other types of food needs. Still, with some hindsight, the observation is that in actual fact, very few people truly practice crop rotation since they do not necessarily work on similar soil types and farming requirements are, consequently, different. In the past, cotton fertilizers were diverted for cereals; this was not beneficial to the cereals, and inevitably undermined both cereals and cotton. To minimise risk, cotton corporations started giving cereal fertilisers to cotton farmers. Then, with the organisational difficulties that arose, the management of these inputs was transferred to cotton producer trade unions and associations which were in charge of ordering the inputs and seeking bank loans to buy them (Burkina Faso and Mali). Unfortunately, because of accumulated outstanding payments, some banks withdrew. All of this clearly reveals that for the moment,

there is no proper harmonisation.

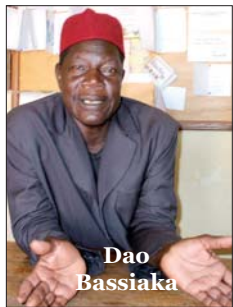
From one country to another in the sub-region, cotton farmers who lack financial resources at the post-harvest period face the acute problem of access to credits. There is the well-known system in Burkina Faso whereby maize is harvested in September and cotton in November. A bag of 100kg of maize is practically given away at 5000 to 6000 CFA per 100kg bag during harvest and bought back at a higher cost some months later at 15 000 to 17 000 CFA. Clearly, the producer is forced to sell cereals to meet some needs (children's school fees, health, etc.), to hire extra hands to harvest cotton (financing manpower) and to meet essential survival needs; but later during cotton sales, prices are less profitable and/or payment is late; this creates tensions in family resources or feeding. To get out of such a spiral, mechanisms should be designed to help cotton farmers face this post-harvest

¹ <http://docs.google.com/viewer?pid=bl&srcid=ADGEESHGX-UoVifNTf9ZA4bvyC6rxkfdhe3KmoWxS3Mx>

period. Solutions like warranties are being explored but geographically, their impact is low. Cotton corporations and banks could also research mechanisms which favour complementarity between cotton and cereal farming in a context where cotton corporations would also be called upon to assist producers in confidently facing this critical post-harvest phase.

It is evident that risk is involved in this sector which has its own share of uncertainties and hazards, worsened nowadays with the phenomenon of climate change. This is why the use of a harvest insurance mechanism is increasingly justified. This mechanism has been gaining ground in the WAEMU region stemming from the need to prepare for bad harvests, even including the occurrence of catastrophes or calamities likely to destroy the farming season. The evolution of this initiative promoted by BOAD deserves the attention and cooperation of all players in the sector.

GMOs: A Double-Edged Technology



Dao Bassiaka

On the sensitive issue of genetically modified organisms, farmer association leaders like Mr Dao Bassiaka, president of the Faso farmers' confederation [Confédération paysanne du Faso], are far from buying into the illusion that

this technology would perform miracles in boosting productivity and competitiveness. To wit, to date its contribution has not been proven and it does not seem to present any significant productivity- and revenue-related difference with the conventional crop.

It should be recalled that GMOs were originally adopted as a solution in boosting competitiveness, sustaining a good market and ensuring profitable prices particularly by reducing treatment levels and, by ricochet, production costs whence possible increased competitiveness in connection with yield levels. The absence of pest attacks would also ensure good quality fibre. Incidentally, although GMOs are part of a revival strategy recommended by American firms and accepted by West African countries, these GMOs have been unable to uphold the promise of boosting cotton production in Burkina Faso which was supposed to have reached records of 3000 tonnes per hectare (which is

In parallel, one must keep in mind that cotton, while it generates a lot of money, in fact much more than cereals would, is a highly polluting activity because it is heavily dependent on chemicals.



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In this connection, it would not be exaggerated to say that cotton alone, if one is not careful, could ruin chances for sustainable agriculture in West Africa.

not at all the case!) at a time when conventional record yields for traditional farming was between 800kg to 1½ tonnes. Looking at the future, Mr Dao Bassiaka wonders about the danger, in the long term, of a policy whereby farmers would depend on international firms for seeds. What will happen to us if these firms stopped supplying their seeds?

While some countries' experiences can open up options for others, it is obvious that a country like Benin will not dive head first into adopting GMOs. There are still talks of a moratorium, after more than five years of investigations, which were supposed to enlighten researchers and politicians on the advantages and disadvantages of this technology clearly perceived by West African farmer association leaders as an "instrument of enslavement".

In parallel, one must keep in mind that cotton, while it generates a lot of money, in fact much more than cereals would, is a highly polluting activity because it is heavily dependent on chemicals. Cotton farmers sow large surface areas, thereby degrading the soil, accelerating deforestation, destroying the environment and increasing vulnerability to climate change. In this connection, it would not be exaggerated to say that cotton alone, if one is not careful, could ruin chances for sustainable agriculture in West Africa. Cotton wears the soil out as demonstrated in Burkina Faso where the cotton basin which initially evolved from the North to the South West now evolves from the South West to the East.

This analysis exposes the scope of challenges to be overcome and which pass through, inter alia, the modernizing of farms which require increased equipping, access to stable markets at sub regional levels, increased yields per hectare (which is currently one of the lowest worldwide) and on-farm consumption of domestic production. The fight at this level is to negotiate prices commensurate with the work done. It is a matter of justice and equity!

Equity also requires larger scale, even international, updating and amplification of West African advocacy for global governance of cotton challenges so as to better incorporate the interests of African producers in international trade negotiations. There are still efforts to be made to strengthen dispute settlement mechanisms within some authorities like the WTO.

Competing with Equal Arms

This strategy of targeting a coalition of multi-stakeholder (public-private) interests was also one envisaged by West African leaders when faced with China and Europe subsidising their producers. These subsidies are indeed cause

for concern to West African producers who fear the worst: crumbling cotton prices, reduced demand and supply on the international market, unfair competition... A 2003 WAEMU study analysing the volume and origin of subsidies and their impact on the cotton sector in West and Central Africa evaluated losses in export revenues for these countries at over 700 million dollars between 1997 and 2000². In the long term, the result would be a dismantling of the structure of African agriculture. Expanding its analysis to the stagnating Doha Round negotiations, the president of the Faso farmers' confederation, Mr Dao Bassiaka had an even more negative observation: "we cannot compete in a market of deceivers... we cannot accept that trade laws would be drafted by some to be enforced on others".

There are varying challenges; the important

"We cannot compete in a market of deceivers... we cannot accept that trade laws would be drafted by some to be enforced on others".

component of building stakeholder capacities cannot be ignored. Their credibility and capacity to influence policy makers are conditioned by an appropriate ownership of the stakes of integration through instruments and laws. Regional farmer organisation leaders and networks are expected to boost their organisational capacities to better play their role as credible liaisons between decision makers and regional integration organisations (ECOWAS and WAEMU). More than ever before, it would be about formulating relevant arguments and successfully advocating on agricultural and trade policies in favour of small West African producers.

In this context and considering what is at stake, should we continue to question the favouritism of cotton in national agricultural policies? The immediate answer would be: cotton is the main export crop in several states in the sub region of West Africa. Since the sector is a major source of currency exchange in West African economies, it trumps food crops to the point that this sector which feeds the population is sometimes abandoned. Aid to cotton and other cash crops (groundnuts, sesame) in terms of loans, equipment and assistance-advice continues to make producers of cereals and food crops (maize, millet, sorghum) green with envy. This double standards policy is decried by farmer organization leaders who make it a duty to remind States and authorities that apart from promoting the strong cotton sector, they have a duty to feed the population in a context where farming is mainly subsistence. While cotton benefits to only a privileged group, the contrary would be true in a flourishing cereal season with the impact being more tangible and massive at the dinner table of common citizens.

... by farmer organization leaders who make it a duty to remind States and authorities that apart from promoting the strong cotton sector, they have a duty to feed the population in a context where farming is mainly subsistence.

Revamping the Sector: A matter of Strategy and Organisation

However, looking at the matter keenly, it is less cotton as a sector which is questioned; it is more the strategy to promote the sector which is flawed with too much self-interest translating a sort of fixation on foreign currency. Truly, and in the opinion of leaders of farmer organisations, it is important to go further in the conception and content of an out-of-crisis plan for cotton in West Africa. Two or three reform channels are already popular: firstly, value-adding on African cotton by creating processing units in the sub region; secondly establishing and respecting the principle of sovereignty of producers in price setting by virtue of free and fair competition between cotton producers and producing states and; thirdly, promoting a policy to add value to domestic products. According to projections of the West African Economic and Monetary Union, 25% of cotton produced in WAEMU should be processed locally by 2010. But this target is far from being reached...

In summary, West African farmer organisation leaders have a dream: a cotton sector within which producers play a key role conferred on them by the level of structuring of organisations in the sector, from the bottom up, and a ranking of producers by capacity. The reorganization of the sector that they are ardently calling for must imperatively include a better utilization of the value chain, defining for each stakeholder (researchers, input suppliers, producers, ginners, industrialists, textile crafters) a specific role in an integrated, concerted and holistic dynamic.

Reorganisation is already ongoing everywhere, and the urgency of the therapy varies from one country to another with, nevertheless, an observed constant factor: the need to re-establish confidence between producers and the State, if one refers to the situation analysis of Mr Léopold Lokossou, president of the Benin national farmer platform (PNOPPA). He warns that if nothing is done the sector, suffering from issues like the interference of the State and a plethora of intermediaries, could implode. To find its mark, the cotton sector must move away from the greed of players who run the show in the sector with regard to profit distribution. To redefine the rules of the game in Benin, careful thought has been given to organising a stakeholder brainstorming workshop for the sector's revival. And the same must be true of its neighbours who continue to explore the virtues of consultations while at the same time building integration in a sub-region where cotton is worth its weight in (white) gold. ■

² http://www.uemoa.int/Documents/actualite/Autres%20activite%20C3%A9s/Rap_Experts_Coton.pdf

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The Association of African Cotton Producers (AProCA); Professionalising Organisations and Defending the Interests of Cotton Producers

By **DIOMA KOMONSIRA** - Head of Communications - AProCA

Brief Presentation of AProCA

Since 2001, the African cotton sector has faced a major crisis partly due to the huge and unequal subsidies given to producers in some cotton producing countries. Faced with a situation where the issue is most often a structural one, African cotton producers have massively mobilized to defend their interests on the international scene. Thus, cotton producers from twelve countries in West and Central Africa (Burkina Faso, Benin, Cameroon, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Mali, Senegal, Chad, Togo) met on the 21st and 22nd December 2004 in a bid to analyze the crisis affecting the sector and together, define strategies for the mobilization, positioning and for actions which would enable them to communicate their vision during cotton related debates. One such cotton meeting was held in Cotonou and led to the birth of the **Association of African Cotton Producers, AProCA**. The constitutive General Assembly of April 2005 enabled AProCA to establish a vision, a mission and its objectives.

Today, the Association has 15 member states which include: Benin, Burkina Faso, the Central African Republic, Cameroon, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Mali, Senegal, Chad, Togo, Zambia and Uganda.

From its creation, it had a vision: "African cotton producers living decently on a competitive and sustainable cotton production, and grouped in regional and national organizations that are well managed and able to efficiently defend their interests on the national, regional and international scene". AProCA is thus an African construct:

- resulting from national platforms working with and for them to enable the producers to live decently from their activities
- comprising of cotton producers who are committed to maintaining professionalism and performance among the African cotton producers
- building strategic agreements and partnerships around issues relating to African cotton
- which is credible vis-à-vis its members and partners, by giving itself the means to be financially independent and its own decision-maker in the broadest sense possible.

This vision was underscored through its 2007 - 2011 plan of action which was recently updated in 2010 to adapt it to the progress in



the institutional, organizational and economic environment of the cotton sector both within member countries and at the international level.

The new 2011-2015 plan of action for the Association is centred on three major strategic areas which include:

- influencing national and international policies;
- building the capacity of organizations;
- valorising and making AProCA visible.

Major Projects of the Association



© AProCA

Within its mission of representation, AProCA coordinates a number of projects, among which includes equitable cotton development and bio-equitable projects for West and Central Africa as financed by the French Development Agency, the Better Cotton Initiative pilot project funded by Solidaridad, the Oxfam cotton program, the Cotton University, etc.

The equitable and bio-equitable cotton development project for West and Central Africa financed by the French Development Agency aims to enable cotton producers from five countries (Benin, Burkina Faso, Cameroon, Mali, Senegal - have already

benefitted from a pilot project) to benefit from the advantages of equitable trade and biological agriculture whose demand is expanding fully. The project also aims to help them maximize their leverage in the entire sector, in terms of promoting African cotton on the world market and as a tool to scale up competitiveness (sustainability and quality of production). The project has three components:

Component 1: Consolidation and expansion of equitable and organic cotton production
Component 2: Strategic sub-regional and pilot coordination

Component 3: Development and market coordination

The convention to finance the project was signed in 2008 for a total of four million seven hundred thousand Euros over five years between the French Development Agency and AProCA which is the project manager. The total cost of the project is eleven million nine hundred thousand Euros.

The **Better Cotton Initiative Project (BCI)** consists of developing a market for a new commodity (Better Cotton) and then aims to reduce, at the international level, the most important environmental, social and economic impact by endowing producers, agricultural workers, cotton growing communities and the environment with long term benefits. In the framework of a partnership which has existed since 2007, AProCA and BCI oversee the implementation of the initiative at the level of West and Central Africa. Mali, specifically the CMDT region, (Malian textile Development) in Koutiala, was selected for the implementation

of the pilot stage of this initiative which was entrusted to Solidaridad. The period for the Mali pilot phase is 36 months. Other countries will be involved in the future extension of this project.

The Oxfam Cotton Program aims to build the capacities of producers in a bid to secure their means of subsistence in the cotton producing regions of Mali and West Africa. Alongside other partners, AProCA intervenes in the program at the regional level over five strategic areas:

- Producing strong and representative national associations in West Africa capable of playing an active role in the management of competitive and sustainable cotton produc-

The Cotton University will work in networks which mobilize the resources of its African partners: pedagogic, scientific, human and material resources of a consortium of schools, universities, and training bodies.

ing industries.

- Studying the cotton sector reforms in order to influence future policies
- Building the capacities of farmers in order that they may effectively evaluate the profitability and viability of the different production systems (including GMO bio-equitable trade) and adopt innovative practices
- Advocating and campaigning for better trade deals and a better regional and international political environment for cotton producers
- Building markets for organic and equitable cotton

The Cotton University is an initiative of the Association of African Cotton Producers. Its aim is to build the capacities of officials and technicians of the sector so they best carry out their functions within national producers' organizations so as to assure the competitiveness of this African sector and enable them to better face competition at the international level.

The Cotton University will work in networks which mobilize the resources of its African partners: pedagogic, scientific, human and material resources of a consortium of schools, universities, and training bodies. It will have neither campus, nor classroom, nor professional corps. Its headquarters is at the Polytechnic University of Bobo – Dioulasso in Burkina Faso (UPB). A headquarter agreement was signed to this effect. In this instrument, the Polytechnic University of Bobo – Dioulasso in Burkina Faso (UPB) will cater to the technical aspects concerning the University of Cotton, that is, all the issues relating to pedagogic engineering and research. Relations between the two structures are governed by a partnership agreement signed to this effect in the form of a protocol.

The Cotton University is made of four components: initial training and re-training, capitalization, innovation sharing and communication. Today, the Cotton University is a reality. It has held its first two training sessions respectively in Bobo-Dioulasso in Burkina Faso in September 2008 and in Ségou in Mali in January 2009. These two training sessions took place under the module; "Doing our business ourselves" under the theme; "strategy and leadership". It brought together leaders among producers and technicians from producer or-



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ganizations from national platforms of the AProCA members. In October 2010, the University formulated its working documents (statutes and internal regulations).

Besides its already functioning projects, AProCA works on the implementation of other initiatives, namely, the project to develop a computerized system supported by the French Ministry of Foreign and European Affairs. This information system will consist of a reliable database on the cotton sector in member countries and at the international level. This base would be an important source of information on the quality of the information services that AProCA could provide to its members and partners.

Partnership and Cooperation

In the framework of its mission to represent and defend the interests of producers, AProCA is developing strategic partnerships and agreements to enable them to efficiently carry out its missions. AProCA intends to be present and make the opinion of producers heard in regional and international forums whenever the cotton issue is discussed.

To this effect, the Association has formally integrated COS-Cotton (Orientation and Follow up Committee on Cotton for the EU-Africa Partnership.), COS-PRB of the WAEMU (WAEMU Orientation and follow up Committee regional Biodiversity Program), the COS Cotton Agenda of WAEMU (Orientation and follow up Committee on the WAEMU Cotton Agenda), the PR-PICA (Regional Program on the Integrated Protection of the cotton plant in Africa), etc.

In 2009, AProCA and A.C.A. (African Cotton Association) signed a partnership agreement aimed at

enhancing co-operation between African Cotton Producer Organizations represented by AProCA and African Cotton Companies represented by the A.C.A. with a view to building privileged partnerships and mutually beneficial relationships. This agreement centres on three priority areas which connect the AProCA and A.C.A. networks. It also determines the dialogue themes and concerted actions, as well as internal and external communication. In its mission of representation and defence of the interests of producers, AProCA has since its creation, benefitted from the support of FARM (Foundation for Agriculture and Rurality in the World) under the framework of building the capacities of members of the As-



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sociation and the creating strategic alliances. Other structures lend their highly prized support to AProCA in the accomplishment of its missions: Oxfam, ICCO, SNV, etc.

AProCA and International Trade Negotiations on Cotton

At its inception, one of the primary actions of AProCA was its presence at the sixth WTO ministerial conference in Hong Kong in 2005. During this conference, African cotton producers under AProCA defended their negotiation position fully. The Association had two objectives with regard to attending this meeting:

- To testify to the growing misery of the African cotton producer due to the distortions in world trade rules,
- To influence government representatives to set dated commitments with figures on the elimination of grants (internal support and subsidies on exports) and find equitable and concrete solutions to cotton problems regardless of the outcome of negotiations on agriculture.

We remember the AProCA producers and technicians, sixteen in number, dressed in traditional regalia made entirely of cotton. To support their message, five thousand cotton bags were made and imprinted with the slogan; "Grants by the West kill the economies of the South" were distributed. A petition of three million, one hundred and fifty signatures from cotton producing African countries was given to the high-ranking stakeholders of the WTO.

The final declaration at the end of the Hong Kong Conference brought out five essential points relating to the cotton document. These different points constitute progress even though injustice persists after Hong Kong. From the participation of cotton producers at the conference, it should be noted that they were very active. In particular, they ensured that henceforth, skilled human resources would understand fully, the importance of the issues involved in trade negotiations.

Given the general configuration of the trade negotiations, the cotton document is, to say the least, failing, as when it is compared to other issues, it is on standby. Concretely then, nothing special which relates to the cotton issue has appeared explicitly in the conclusions of the recent meetings involving the Ambassador of New Zealand, David Walker, Chair of the Agriculture negotiation group. And this is quite bothersome for African cotton producers.

Nevertheless, African cotton producers have the unflinching support of some institutions working to obtain concrete results on the cotton document. This is the case with the C4, as it benefits from the support of the ACP group and WAEMU. They have sent an ur-



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gent call to the different negotiation platforms for a swift outcome which is in compliance with prior commitments.

A Glance at the Major and Current Problems of African Cotton and the Possibilities for Solutions

Does one need to recall that cotton is an important source of income and a powerful tool in the fight against poverty in many African countries, particularly in the CFA zone? It has significantly contributed to the creation of employment and economic growth in many countries. However, for some years now, the cotton sector has been suffering an unprecedented crisis: a progressive diminishing of research and support services, the high cost of production factors, distortions on international markets caused by grants from rich countries such as the United States and the European Union to their farmers as well as problems of soil fertility, etc.

The current crisis acts as a booster to research on new initiatives, new ways of producing which guarantee quality, competitiveness and sustainability of African cotton. Today, producers are committed to researching and promoting these innovations. Scaling up the competitiveness of African cotton requires a constant effort to improve the quality of the cotton fibre. But this particular quality of African cotton deserves more sustained publicity on the international market, which is not the case for now, at least not to a sufficient degree.

It is well known that African cotton produc-

ers have for decades made enormous efforts to keep the sector alive and promote its competitiveness. Conscious of the gravity of the situation and their role in this crisis, African cotton producers, collaborating under the AProCA umbrella, have committed themselves to seeking appropriate and lasting solutions to the crisis. The creation of the Cotton University falls within this viewpoint. Agricultural research is also the eldest child of the cotton sector and a natural ally, also, it has a responsibility to stand up to new challenges. It must propose new approaches to producers which are based on innovation as regards issues as diverse as research on high yield varieties that are best adapted to climate change, thus guaranteeing better economic and social benefits for the producers. Today, the cotton issue is a vital one for close to 20 million individuals in West and Central Africa. AProCA is open to working with all who share the need for concerted action in the efforts to develop a viable new cotton economy. ■

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DIOMA KOMONSIRA



The current crisis acts as a booster to research on new initiatives, new ways of producing which guarantee quality, competitiveness and sustainability of African cotton.

Cotton companies: what solutions for the cotton sector?

Interview with **ADEYEMI ACHAMOU FAHALA**, Agro-Economist Engineer and Permanent Secretary of the African Cotton Association (ACA)

GLOCAL: Could you give a brief description of the African Cotton Association; its origin and mission?

ADEYEMI ACHAMOU FAHALA: *The African Cotton Association (ACA) was established on 19 September 2002 in Cotonou (Benin) to bring African Cotton Professionals together to defend their common interests and help to develop sustainable production, competitiveness and promotion of African Cotton. The ACA can today boast of 31 cotton companies (Active Members) from 19 countries and international recognition.*

The ACA seeks to defend and promote African cotton in compliance with international trade regulations by helping to improve productivity, quality, competitiveness and promotion of the African cotton for sustainable development.

GLOCAL: Can you give us an overview of the main thrusts of the ACA 2010-2015 strategic plan?

ADEYEMI ACHAMOU FAHALA: The ACA strategic plan design was methodological and participatory. Accordingly, all players in the sector from the four economic regions of the continent chipped in their support to establish this tool for promoting the African cotton sector.

The strategic plan comprises five strategic goals each of which is further broken down into several strategic thrusts.

1. Defend African Cotton Sectors

Help to revamp and develop production and improve competitiveness and promotion of African cotton

Help to strengthen and improve African cotton quality

Make ACA a baseline information platform for African cotton

Promote the marketing of African cotton

GLOCAL: At a general level, what reforms will cotton processing in West and Central Africa bring about in other sectors (energy, legal, transport infrastructure, local production protection tools in the face of foreign competition...)?

ADEYEMI ACHAMOU FAHALA : Although all efforts that will help to start local cotton processing in Africa might help to curb unemployment and significantly swell state coffers, the major drawback in this kind of initiative is energy cost. Almost all cotton producing countries in West and Central Africa have very limited energy capital.

Although all efforts that will help to start local cotton processing in Africa might help to curb unemployment and significantly swell state coffers, the major drawback in this kind of initiative is energy cost.

Load shedding is rampant and household energy consumption is expensive.

GLOCAL: What, in your opinion, are the priority areas on which national,

sub-regional and international institutions should focus their efforts to strengthen cotton sectors in the sub-region?

ADEYEMI ACHAMOU FAHALA: The main problems faced by African cotton sector players (producers, cotton ginners) are high input costs (fertilisers, pesticides, spare parts, etc). The situation of cotton seed production inputs whose costs keep soaring is a cause for alarm. Actions from national (States), regional (WAEMU, ECOWAS, CEMAC, etc) and international (European Union, United States, etc) institutions regarding this vital production aspect might provide relief to actors.

Supporting actors to buy inputs in bulk may help to significantly reduce the costs of inputs.

It will be remiss of us not to laud the efforts of the African Cotton Association (ACA) to increase African cotton competitiveness by improving its quality. Indeed, after the second edition of the African Cotton "Quality Days" organized in January 2010 in Cotonou (Benin), the ACA developed a project to combat African cotton contamination and set an ambitious objective of «zero contamination by 2015». National, regional and international institutions are expected to throw their weight behind project.

GLOCAL: Should the West and Central African textile sector promote small-scale or industrial production in order to maximize all its assets and generate as many viable jobs as possible?

ADEYEMI ACHAMOU FAHALA: Industrial production is energy intensive and energy is limited ; it is not labour intensive compared to small-scale production which generates many jobs and consumes little energy; it is advisable to design a policy aimed at supporting small-scale producers of the textile sector in order to shore up this sector.

GLOCAL: Can you give us an overview of the situation of ACA members in West and Central Africa (financial situation, an assessment of major problems)?

ADEYEMI ACHAMOU FAHALA: As we mentioned earlier, the main

problems common to ACA members are the ever-increasing input costs and this leads to a gradual reduction in cultivated areas and in turn to an overall drop in cotton production on the Continent. This is compounded by the implementation of the massive subsidy policy practised by the Western countries in general and the United States in particular. The negative and combined effects of these challenges lead naturally to a steep drop in the size of players' purse.

GLOCAL: Is it possible to implement the type of survival and crisis management strategies adopted by various ACA member countries during the most challenging years of the cotton crisis?

ADEYEMI ACHAMOU FAHALA: When the sector was hit hard by the crisis, each ACA member cotton company devised methods and approaches to resist if not address the problem immediately. Initiatives vary from one country to another and from one economic region to another.

GLOCAL: What are the ACA priority action areas? On the basis of identified priorities what are the concrete solutions provided by the ACA? What flagship projects are you currently undertaking?

ADEYEMI ACHAMOU FAHALA: ACA priority action areas are contained in the strategic plan which has just been adopted by the General Assembly held in Khartoum, Sudan on 11 March 2011. They seek, inter alia, to:

- Undertake a campaign designed to make all cotton companies and organizations of all cotton producing countries of the continent ACA members in order to increase the representiveness of the ACA;

Industrial production is energy intensive and energy is limited ; it is not labour intensive compared to small-scale production which generates many jobs and consumes little energy; it is advisable to design a policy aimed at supporting small-scale producers of the textile sector in order to shore up this sector.

- Communicate to the media and the civil society in order to improve the perception of the economic, social and environmental role of the African cotton;
- Organize consultation and experience sharing and pool resources by making the technical commissions operational (cotton production, ginnery, logistics, marketing, classification and metrology);
- Implement the ACA contamination control programme adopted in January 2010 in order to better promote the intrinsic qualities of African cotton in collaboration with AProCA and other institutions;
- Develop ACA capacities in the area of collection, processing and dissemination of any information relating to the production and marketing of African cotton;
- Rebuild the web site and update it permanently;
- Forge partnerships and collaborate with other cotton associations and other organizations of the sector;
- Establish African cotton information and promotion aids.

The ACA is currently focusing its efforts on improving African cotton quality through the implementation of the contamination control project, establishment of technical commissions (organization of experts from ACA member cotton companies) and all aspects related to improving communication within the Association and between the Association and other external organizations.

GLOCAL: In a context of increased regional integration, what are the roles and the contribution of an organization such as the ACA?

ADEYEMI ACHAMOU FAHALA: The issue of the role of an organization such as the ACA against a backdrop of increased integration is moot. Indeed, the initiative that led to the establishment of the ACA is already a living source of integration. It is obvious from the growth of the ACA, which in March 2010 in Yaounde (Cameroon), decided to tailor its statutes to economic zoning as provided for by the African Union, that the ACA is a regional institution working for regional integration in order that the cotton sector should continue to contribute to the economic development of each country in particular and the sub-regions in general.

Sub-regional organizations have understood this so well that they cannot do without the ACA when devising their cotton textile promotion strategies. The cases of WAEMU and CEMAC are perfect examples.

GLOCAL: Are there, through the Cotton Association, any platforms for sharing knowledge, engineering skills, management methodology and good management practices for cotton companies in the sub-region?

ADEYEMI ACHAMOU FAHALA: This question touches on the rationale of the ACA; seminars are organized every month of March as part of the ACA annual days, the organization of "Quality Days" every three years (November 2006 and January 2010 in Cotonou), the occasional organization of technical workshops (workshop to brainstorm on cost/efficiency ratio of fertilizers in November 2005 in Bamako, Mali, workshop to brainstorm on the causes of a drop in farm output in August 2007 in Lome) and the gradual establishment of ACA Technical Commissions are concrete proof of the existence of an exchange forum within the ACA. The ACA strategic plan stipulates methods for their improvement.

GLOCAL: What is the role played by the ACA in designing a regional strategy for shrugging off the cotton sector crisis in West and Central Africa and in promoting African cotton?

ADEYEMI ACHAMOU FAHALA: The ACA has for long now become an indispensable institution for designing and implementing all initiatives seeking to improve competitiveness of the African cotton. Accordingly, the ACA is present at every step of the West and Central African regional strategy design process.

Moreover, the ACA is a consultation forum for players in the cotton sector. In this capacity, it plays a pivotal role in boosting the cotton sector and promoting African cotton; the various strategic goals and the areas they cover and which were listed under abovementioned



questions are eloquent testimonies.

GLOCAL: How do you analyze the impact of the CFA F (pegged against the Euro)/dollar relationship on cotton sectors in the CFA F zone?

ADEYEMI ACHAMOU FAHALA: One of the battles the ACA has been fighting since it was established in September 2002 is to denounce the impact of the CFA F (pegged against the Euro)/Dollar relationship on cotton companies' income and consequently on state coffers. As regards the initiative to create an independent West African currency, I really do not have a personal opinion on this issue which will be dealt with by experts of major financial institutions.

GLOCAL: What are the main tools used by ACA members to hedge against cotton price volatility on the international market?

ADEYEMI ACHAMOU FAHALA: Every cotton company is independent and takes initiatives it deems efficient in time and space to offset price fluctuation effects.

GLOCAL: Describe your relationship with stakeholders such as producers' organizations and states? What leverage do you have over these stakeholders in defending the interests of cotton companies?

ADEYEMI ACHAMOU FAHALA: The ACA enjoys good relations with other stakeholders; a tangible proof is the existence of a partnership convention between the ACA and AProCA (African Cotton Producers Association) with which the ACA initiates, implements and assess far-reaching initiatives for the promotion of African cotton.

GLOCAL: According to cotton sector models that are somewhat liberalized in West and Central Africa, to what extent are cotton companies independent or not in the face of national policy guidelines or decisions?

ADEYEMI ACHAMOU FAHALA: Whether a company is liberalized or privatized is not important. The fact is that they always have some independence or management autonomy. They nurture good relations with States which play regalian roles that are vital in promoting African cotton.

GLOCAL: "Cross-buying" or "cross-selling" in some countries brings about major risks for national cotton sectors and does not allow cotton companies to be supplied with all the cotton produced in their area or to develop support programmes for producers which generate an expected return on investment. Is this a problem that affects several ACA members? How can this issue be addressed at the national and regional levels?

ADEYEMI ACHAMOU FAHALA: This phenomenon is one of the challenges faced by cotton companies at the country level. The intensity and impact vary from one country to another. ACA's role will obviously be to organize discussion forums on the issue in order to highlight the level of impact and seek global solutions.

GLOCAL: The ACA undertook to defend the cotton case, can you revisit the position and commitment of the ACA to defend this cotton case? What are the victories, failures and lessons drawn from this adventure?

ADEYEMI ACHAMOU FAHALA: The defence of the cotton case is a collective effort. The ACA is one of the main defenders of this case. Let us not forget that the ACA was set up in 2002, a few months away from WTO summit in Cancun. Though still a fledgling organization, it had carried an extraordinary campaign to support C4 States. The concrete result of this work was the failure of the Cancun Summit since the cotton component was not given the attention expected by players of the sector.

GLOCAL: How are members of your organization taking the Doha Round quagmire and do they feel the efforts made by national delegations?

ADEYEMI ACHAMOU FAHALA: ACA members are taking the Doha Round stagnation with both anxiety and hope. Anxiety is a result of the fact that the problems persist and the Round has not yet provided any solution. That is the case with problems brought about by abusive practices of subsidies granted by Western states to their producers. There is hope as national delegations continue to persevere and defend this file in the WTO.

GLOCAL: What are (or might be) the main actions taken by the ACA to defend the cotton sector today?

ADEYEMI ACHAMOU FAHALA: The fight against the practice of illegal subsidies is not yet over. It has to continue until total victory is achieved. Furthermore, there are a series of actions in the ACA strategic plan which will help to put the African cotton sector back on track, namely:

- Communication and lobbying to authorities, the international community, civil society and the media to defend African cotton sectors, Consultation and experience sharing by pooling efforts and resources in order to propose concrete actions to tackle problems common to cotton companies;
- Information: collection, processing and wide dissemination of all information on the production and trade of cotton in Africa;
- Promotion: initiatives aimed at refurbishing the image of and promoting African cotton.

GLOCAL: After the sector initiative for African cotton in 2003, some development agencies undertook to support the African cotton sector. Have you received funding and various forms of support in the ACA which have had a significant impact on the situation of ACA member cotton companies? If yes, can you give a few examples?

ADEYEMI ACHAMOU FAHALA: All in all, some ACA members have benefitted from various forms of support of which the main ones are:

- The All ACP Commodities Programme on European Union funds a third of which is reserved for cotton;
 - The WACIP (West African Cotton Improvement Programme) funded by the United States which has also served as supplementary funding to some projects at the country level through national advisory committees set up for that purpose.
- ACA Members have indeed mostly benefitted from the All ACP Commodities Programme by travelling to promote African cotton in Asia (China, India, South Korea, Thailand, etc) with technical backstopping from the International Trade Centre (ITC) under South-South Cooperation implementation.
- This project also provides significant support to the ACA in:
- Designing its strategic plan with technical backstopping from the ITC;
 - Implementing its project to curb contamination courtesy of technical support from the World Bank;
 - Establishing and revamping Technical Commissions (Cotton Production Technical Commission, Transport Technical Commission, Ginnery Technical Commission, Metrology Classification Technical

Commission) under the supervision of COS-COTON (body responsible for monitoring the implementation of the cotton component of the All ACP Commodities Programme).

Let us also note that the WACIP supported the ACA considerably in August 2007 in organizing a technical workshop on the theme "Causes of the drop in cotton farm output" and a study trip for ACA members to South Africa in 2009.

GLOCAL: Is South-South cooperation a concrete reality in the cotton sector? If yes, can you give us a few examples concerning the ACA or its members?

ADEYEMI ACHAMOU FAHALA: As I have just said, several experience sharing and African cotton promotion missions were organized with the technical support of the ITC with funds from the European Union. During the second edition of the African cotton Quality Days held in January 2010 in Cotonou, the ITC also invited several nationals of Asian countries to see for themselves the efforts made by African countries to improve cotton quality. That is a tangible example of South-South cooperation.

GLOCAL: What in your opinion is the middle ground for South-South cooperation and competition for establishing lasting relations?

ADEYEMI ACHAMOU FAHALA: With the current level of development of countries of the South, I think South-South cooperation is the best way of establishing enduring relations.

GLOCAL: Do you think the cotton issue will be addressed satisfactorily in the Doha Round? If not what is the alternative solution?

ADEYEMI ACHAMOU FAHALA: It is allowed to hope. Failure to give pride of place to the cotton issue in the DOHA Round is ignoring the macro-socio-economic importance of cotton for more than twenty million Africans.

Cotton is and remains a socio-economic crop of great value to all producing countries. Not to give it the attention that it deserves is helping to impoverish many souls on earth. Consequently, all means likely to move the issue forward or tackle it are welcome.

GLOCAL: What would be your final word?

ADEYEMI ACHAMOU FAHALA: States, national, regional and even international organizations are fortunate to have the African Cotton Association. It is a consultation forum for all actors in the African cotton sector. It is found in the West, East, Centre, North and South of the Continent. It is the portal to all players in the African cotton sector. The very existence of a five-year strategic plan (2011-2016) is eloquent testimony of the new momentum of this Pan-African Association to better organize itself to face up to the herculean challenges of the cotton sector.

I am therefore appealing to all national, regional and international organizations to consider it as a credible partner in implementing actions likely to help improve the competitiveness of African cotton. ■

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**ADÉYÈMI ACHAMOU
FAHALA**





UMEF University of Management, Economics & Finance



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Contribution from the European Commission (DG DEVCO, DG AGRI, DG TRADE)

The WTO Cotton Initiative and the EU response

Cotton and cotton textile industries are crucial to the economic growth of both developed and developing countries. Cotton is one of the most valuable and widely produced agricultural crops in the world. It is grown in more than 100 countries, on about 2.5% of the world's arable land, making it one of the most significant crops in terms of land use. Cotton is a heavily traded agricultural commodity. In many countries, cotton exports provide not only an essential input for foreign exchange revenues but also accounts for a major share of the country's GDP. This is particularly the case in Africa but also in some Central Asian countries.

Cotton is a product which has a long and often emblematic history. Because of its importance in world trade as well as to economies of many developing countries, it can be argued that cotton is a very «political» crop. World cotton production inevitably varies from year to year, thus, variations in supply can cause major fluctuations in prices. Cotton is a good example of how price sensitive an agricultural product can be: the decrease in world cotton prices directly affects millions of small producers in the cotton producing countries of Central and West Africa. Cotton forms an important part of the economic sector in more than 20 African countries. Most of the African cotton is produced by small farmers on fields of less than two hectares. Cotton-growing is almost always associated with food crop production and cotton also provides cash income for household expenditures (food, schooling, health care). Therefore, there are important links between cotton production, poverty reduction and food security. This is the reason why the support offered to the cotton sector is an important aspect of EU cooperation. The development dimension is central and the EU has always been at the forefront of fully integrating development into its multilateral and bilateral negotiations. This trade and development approach is the foundation of the Economic Partnership Agreements (EPA) that the EU is currently negotiating with the sub-Saharan Africa regions.

In 2003, four African countries, Benin, Burkina Faso, Mali and Chad - the so-called «Cotton Four» - requested that the WTO's Doha Development Agenda should include a Cotton Initiative. Their goal is to have far reaching reductions on cotton subsidies, tariff cuts and ensure assistance is increased to encourage local cotton production and revenues. The Cotton Initiative was perhaps the first time four commercially insignificant countries drew international attention to a common cause. The «Cotton Four» have demonstrated that when small nations unite, they are able to participate and influence the global trading system. The WTO membership as a whole recognized

the demands of the «Cotton Four» as legitimate and put cotton high on the agenda of the Doha negotiations. It is clear today that there will be no conclusion of the Doha Round unless cotton is addressed ambitiously in relation to the three pillars: market access, domestic support and export competition.

The EU was amongst the first to translate commitment into solid action. The EU was fully aware of the key impact cotton production had on the development of countries that are among the poorest in the world and through its own initiatives, was committed to a profound reform of its cotton regime.

In 2004, the EU launched the «EU-Africa Partnership on Cotton» under which substantial financial assistance was made available. Since 2004, over €320 million have been allocated to cotton programmes and projects (EU member states, in particular France, Germany and the Netherlands, have contributed significantly through projects managed independently by the European Commission). The «EU-Africa Partnership on Cotton» focuses on cooperation with Benin, Burkina Faso, Chad and Mali. It reflects the key role cotton plays in the economic policies of these countries as this sector employs around two million workers and some 15 million people depend on cotton production and exports for their livelihood.

These figures exclude assistance that is indirectly related to cotton, like general agricultural projects, infrastructure (main roads, bridges), trade facilitation (e.g. port handling), private sector development and general macro-economic assistance. The EU member states increased their contribution to the European Development Fund (EDF) to over €22 billion for the tenth EDF period (2008-2013). The lion share of this amount has been allocated to Africa.

The «EU-Africa Partnership on Cotton» was established during the Paris Forum in 2004, together with an Action Framework. The aim was to address the concerns of African cotton producers strongly affected by the decrease in cotton prices during the 1990s and 2000 onwards. The partnership covers two aspects; a «Trade» component aims at establishing more equitable trade within the Doha Development Round, while a «Development» component enhances the competitiveness and value addition of African cotton by optimizing the impact on producers' yields.

The Action Framework implements these two components through six strategic axes:

- Developing, monitoring, assessing and updating national and regional cotton strategies;
- Improving the institutional environment, internal organization and efficiency of the cotton industry;
- Improving the competitiveness of the cotton industry in Africa;

- Reducing the vulnerability of the cotton industry;
- Increasing the value addition generated by the cotton industry;
- Strengthening the coordination at international, regional and national levels.

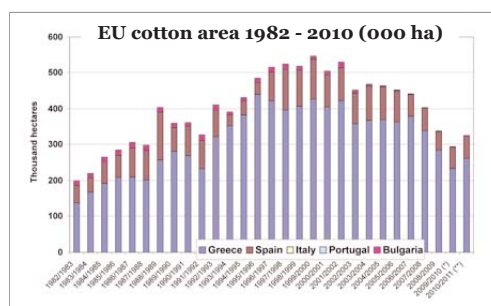
The Action Framework is coordinated and implemented by the «Comité d'Orientation et de Suivi du Partenariat UE-Afrique sur le Coton» (COS-Coton) composed of the ACP countries, the EU, regional integration organizations, EU-ACP organizations and the private sector. As such, COS-Coton has to manage the needs of the industry stakeholders in order to ensure coherence and ownership of the Action Framework and related programmes, including the cotton component of the All ACP Agricultural Commodities Programme.

EU development aid programmes target cotton producers in the most affected ACP countries. The EU has also committed to substantially reducing trade distorting domestic procedures and has proposed a series of market access measures for developing countries.

Overview of the EU cotton market

The EU cotton territory grew steadily until the end of the 1990s, when it peaked at almost 540.000 hectares. Since 2006, the decline in the area has been very significant. In the period spanning 2006-2010, the EU cotton territory dropped by 33%, to 293.000 hectares. The EU cotton territory increased by 10% in the 2010/11 season, in response to high prices on the world market. In 2010, cotton was produced in three Member States over a total surface area of 325.000 ha. Greece (80%, mainly Macedonia, Thessalia and Sterea Ellada) is the principal producer, while Spain (19%, mainly Andalucía) is in second place. Bulgaria produces cotton on less than 1000 ha. Production ceased in Italy in 1991 and in Portugal in 1996. Practically all EU cotton is grown on irrigated land.

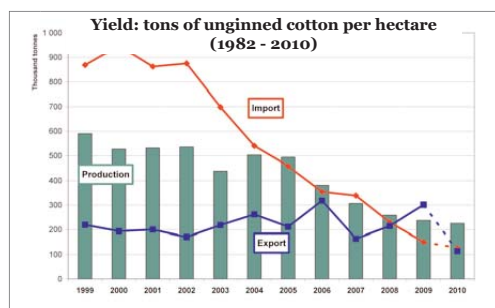
Similarly, EU production of ginned cotton has fallen since the 2004 reform: from almost 500.000 tons in 2006, it dropped to 225.000 tons in 2010, which is less than 1% of the estimated 2010 world cotton production of 25.2 million tonnes. With 180.000 tonnes, Greece accounts for 80% of EU production in 2010, while Spain produced the remaining 20%



(45.000 tonnes). Cotton production in Bulgaria was insignificant at around 200 tonnes. The 2004 reform resulted in important changes in the behaviour of producers, especially in Spain, where yields dropped significantly from above 4 tonnes per hectare to 1.1 t/ha in 2009/10. Greece also experienced a reduction in yields, although to a smaller extent compared to Spain. In 2010 Greece and Spain experienced opposing trends as regards yields: in Spain, they grew by 85% to 2.1 t/ha, in Greece they decreased by 32% to 2.1 t/ha. The decrease in Greece was due to unusually severe pest attacks and adverse weather conditions during harvesting.

EU cotton imports followed the same trend: a sharp decline from 870.000 tons in 2002 to 150.000 tons in 2009. Overall, over the period 2007-2009, the EU imported an average of 240.000 tons of ginned cotton. More than one third of cotton imported into the EU came from central Asia (Kazakhstan, Uzbekistan and Tajikistan), and 9% from both the United States and Turkey.

EU exports remained relatively stable: from 220.000 tons in 2003 to 215.000 tons in 2008. Over the period of 2007-2009, the EU exported an average of 220.000 tonnes per annum. Turkey is by far the most important market for EU cotton, accounting for over half of EU exports. 21% of EU cotton is exported to Egypt.

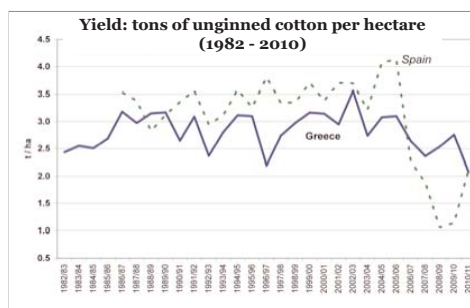


EU Cotton reform

Even though EU production represents only a very small part of total global production, the EU reformed its agricultural cotton regime in 2004. Upon joining the EU, Europe's cotton-producing countries (Greece and Spain) obtained generous support for their cotton-producing farmers.

The 'Mediterranean Package' of 2004 ended deficiency payments and introduced crop-specific «coupled» (35%) and «decoupled» (65%) direct aid from 2006 onwards. Full decoupling was not considered possible for cotton, as the Accession Treaty of Greece requires the Community to support its cotton production.

The 2004 reform was successfully challenged by Spain in the European Court of Justice (ECJ). The Court did not question the nature of the reform, but it did query the way it was prepared and adopted. In particular, the Court ruled that insufficient consideration had been given to labour costs linked to cotton growing and to the viability of the ginning industry. Nonetheless, the ECJ allowed the scheme to



continue until new reform was adopted.

After extensive studies and an impact assessment, new reform was adopted by the EU Council in 2008 which would be applicable from 2009. It respects the same rate of coupled and decoupled direct aid (35%-65%) on a budgetary level. The maximum base area for which aid could be paid was reduced to 250.000 ha in Greece, 48.000 ha in Spain, and 3.342 ha in Bulgaria and 360 ha in Portugal. In instances where the production area is higher than the national base area, the aid per hectare is decreased proportionally.

In addition, the reform contains a restructuring fund for Greece and Spain to finance five measures: (1) dismantling ginning plants, (2) investments in ginning plants, (3) participation of farmers in quality schemes, (4) information and promotion activities, (5) aid for harvesting machinery contractors affected by the dismantling of plants.

The reform eliminated domestic support which had the most distorting effect on trade (the so-called WTO amber box) and thereafter changed the incentive to produce. European cotton farmers now make production decisions according to market evolution, rather than on financial support. The 2004 European cotton reform has had positive effects on production for African producers.

Cotton still plays an important role in certain parts of Europe, so the EU continues to support its domestic cotton production.

However, overall, cotton production in the EU is only a small fraction of world output so its aid does not have any significant impact on world prices.

Since 2009, cotton prices have continued to rise: the Cotlook A index (a weighted CIF price) reached an all-time record of 4.791 \$/t on 14 February 2011. The Cotlook A rose by 250% in 2010, almost a quadruple increase since January 2009, when it stood at 1.233 \$/t.

Way Forward

Reforms by the EU only make sense if all cotton producers who support their production and exports make a similar commitment. Europe constitutes a very small part of global cotton production. It does not export cotton and imports duty and quota free from least developed countries. Our reform does not remove the pressing need for other developed countries to reform their agricultural support strategies.

The U.S. plays a big trade-distorting role. The EU accounts for less than 2 per cent of the world cotton market, while nearly half of the

world's cotton production comes from the United States and China. Depending on market prices, the United States pays up to four billion dollars annually to its 25,000 cotton producers. This allows the United States to remain the world's largest cotton-exporting country, accounting for 37% of the world market.

In 2008, the U.S. made timid overtures, on condition that China also open its cotton market. The proposal was rejected by China which feared opposition from the sensitive north-eastern part of the country. The talks have been deadlocked since then, but the Democratic administration is less dependent on the cotton lobby than its predecessor and more mindful of the repercussions of US policies on the world's poorest regions, particularly in Africa.

The EU remains convinced that the appropriate framework in which to negotiate rules on cotton subsidies should be the WTO agricultural negotiations. The EU is committed to supporting African countries in their quest for a solution regarding cotton. This must be an integral part of the agricultural DDA negotiations. The EU encourages other WTO Members, notably the U.S., to follow its example in reforming its cotton policy.

In the past, the EU has made concrete proposals regarding the adoption of cotton-specific rules at the WTO. First, eliminate the most trade-distorting forms of domestic support; second, eliminate export support in the cotton sector; and third, allow for a complete and full market opening for cotton for the least developed countries, which would be similar to the EU's «Everything but Arms» initiative.

A few issues outside the negotiations themselves have come into play recently. In the case initiated by Brazil against the U.S., the WTO Cotton Panel decision, may lead to changes in the future. The WTO panel ruling in favour of Brazil was followed by intense negotiations between the two countries to reach a mutual agreement and avoid trade retaliation by Brazil against U.S. goods and services.

In June 2010, the U.S. and Brazil agreed on a preliminary deal and Brazil agreed not to retaliate. In this agreement, the U.S. succeeded in postponing any change to its cotton subsidies until its next Farm Bill in 2012. Under the agreement, it is clear that the U.S. will be compensating Brazil for the fact that it will not change its cotton subsidies programmes until the next Farm Bill.

Critics of the WTO procedures claim that the outcome of the Brazilian case highlights the shortcomings of the WTO dispute settlement process. Brazil was somewhat of a stand-in for African cotton producing countries that could not afford to file a case against the U.S. because they did not have enough trade to make retaliation a real threat. Had Brazil imposed retaliation measures upon the U.S., African cotton-producing countries might have had a better chance of having their demands met during the Doha negotiations. ■

COMPACI; the Commitment of the German Cooperation in Supporting African Cotton

Interview with: **WOLFGANG BERTENBREITER**, Team Leader Cotton Program, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)

GLOCAL : *Could you please introduce yourself and the organization you work for in a few words?*

WOLFGANG BERTENBREITER : I'm currently responsible for the cotton programme implemented in the framework of GIZ. It's called the Competitive African Cotton Initiative (COMPACI) which is implemented in collaboration with the DEG and local partners. It is financially supported by the Bill and Melinda Gates' Foundation and the German Ministry for Economic Cooperation and Development (the BMZ). Since 1989, I've been working for the Gesellschaft für Technische Zusammenarbeit (GTZ) which is now the GIZ (merger of GTZ, DED and InWentDED). The GIZ has close to 17,000 employees and operates in more than 130 countries. It allows us to have a structure which is more efficient and easier for our customers to deal with as they transact with one company rather than 3.

GLOCAL : *How long have you been working on projects related to African cotton?*

WOLFGANG BERTENBREITER : I started working on cotton in 2005 as an adviser to the Ministry in the framework of the WTO negotiations and I was member of the steering committee on the project, "Support for the C4 Cotton Initiative" as implemented by IDEAS which supports the C4 initiative. The latter includes: training negotiators and supporting the writing of papers. It was a joint project between Germany, the Netherlands, France, Denmark, the UK, and Sweden. From the different studies we carried out on cotton came a proposal from the Otto Group which led to the development of the "Cotton Made in Africa Initiative" which is partners with the COMPACI programme.

GLOCAL : *Is the GIZ only involved in the African cotton sector through the Competitive African Cotton Initiative?*

WOLFGANG BERTENBREITER : Yes, it is at the moment. Through the COMPACI, the GIZ is involved in Côte d'Ivoire, Burkina Faso, Benin, Malawi, Mozambique and Zambia. The Cotton Made in Africa initiative (CmiA) has partnered up with COMPACI. We are responsible for the field work, farmer training, the development of credit facilities and for providing CmiA support in the development of the verification system and in the training of verifiers. The CmiA deals with the marketing of the cotton produced by managing the field verifications and implementing community development projects. To give you a little background, in the beginning, the CmiA was a Public/Private Partnership which was financially supported by the German government. We have had the COMPACI for 2 years and CmiA is now generating its own funds and becoming more and more independent and self-sustaining.



« GIZ »

GLOCAL : *Was the GTZ (the German cooperation) involved in projects connected to African cotton before the COMPACI?*

WOLFGANG BERTENBREITER : Before the COMPACI, we were involved in a long term cotton project in Egypt which supported the sector in different areas; from the growing of cotton to the industrial textile transformation. We worked on quality management, on supporting the entry into the European market and the creation of an "Egyptian Cotton" label. Then we got involved in a project in Tanzania while working on an Integrated Pest Management system. We have learnt from our experience in Egypt that the development of a label requires a structure responsible for it and that it cannot survive unclear shifts of responsibility between actors from the public and private sector, otherwise, the label loses its reputation in the market. Presently, the label has regained its reputation and they have developed the skills and valuation criteria to guarantee its success.

GLOCAL : *This is very interesting and I assume that all this knowledge could be poured into Cotton made in Africa.*

WOLFGANG BERTENBREITER : Within Africa there have been discussions between different actors and among other stakeholders in the African Development Bank and COMESA about the possibility of creating a quality label for African cotton. Also, this idea was deliberated on by the African Cotton Association. It was a little sensitive at first to have the Label "Cotton made in Africa" marketed by a German non-governmental organization and to brand the cotton that it promoted with a few cotton companies in Africa, but at the same time, the African cotton companies could not support the cost of setting up and promoting the label, or the setting up and running of the verification system. Furthermore, building up the relationship with the retailers in Germany and worldwide in order to generate the demand for CmiA cotton and helping these companies in the sourcing mechanisms were other challenges we as a German NGO had to face. To have a label is good, but the promotion and the marketing of it are vital.

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GLOCAL : *What kind of relationship do you have with the African cotton organizations, whether they are producers' organizations or cotton companies?*

WOLFGANG BERTENBREITER : CmiA is an African cotton label and we are looking forward to integrating the ACA and AproCa to a greater extent into Cotton made in Africa and COMPACI. AproCa is involved in the Cotton University; some members of the ACA are already members of CmiA. We are currently trying to understand how members of AproCa and ACA can be members of the CmiA's advisory board. At first, the CmiA had a top down approach and now that it is up and running, it will become a multi-stakeholder initiative.

GLOCAL : *Was this step by step integration of a wider group of stakeholders a strategy from the beginning or something CmiA and COMPACI decided along the way?*

WOLFGANG BERTENBREITER : It was a strategy from the beginning. An initiative like 'Better Cotton' did it another way; they started with a big stakeholder community. CmiA started as an initiative of the Otto Group, the DED, WWF and two retail companies. The initial stakeholder group was quite small. We decided to start small, set up the structure, implement the initiative and prove it can work. Now that it works, we can integrate the different stakeholders. This is Cotton made in Africa; we cannot only remain with representatives from Europe, we have to integrate representatives from the cotton companies. Jean Claude Tallon of the ICA Benin is a member of the advisory board, as is Ibrahim Mal-loum (honorable president of the ACA). We also have people from the US... All these members arrived progressively. We now have cotton com-

panies asking to join the CmiA initiative. The next step is to understand how we can integrate the farmers' organizations.

GLOCAL : Could you tell me more about the COMPACI approach?

WOLFGANG BERTENBREITER : For the COMPACI approach, we provide support in a 50/50 commitment framework from us and from the African companies we work with. There is a qualification round: the companies have to be able to have a 50% share in the project and we check the quality of their balance sheets, otherwise, we cannot start a partnership.

GLOCAL : How would you assess the state of the sector?

WOLFGANG BERTENBREITER : During the cotton crisis of 2004/5, cotton prices were quite low, then the cotton prices stabilized and the cotton companies stabilized as well. The financial crisis and the speculation placed cotton companies once again in a very difficult situation and some of them went bankrupt. After the financial crisis of 2009, things are now going back to normal and the market demand for cotton is currently higher than the production and supply. In the last 8 months, the cotton prices have been rocketing. Most of our partners over the last season have managed to regain solid financial positions. There are also issues connected to very high cotton prices. In some countries like Benin, companies outside Benin are sending trucks to Benin farmers and buying the cotton at a higher price than the price agreed with the Benin cotton companies which have invested in farmer training and support mechanisms. Thus, Benin cotton companies are losing large quantities of cotton to this "pirate buying" done by companies not playing by fair rules. This happens in southern Africa quite often but it is quite new in West Africa.

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GLOCAL : Looking at the liberal approach of Zambia, Malawi and the less liberal approach of West African cotton producer countries, which approach works best?

WOLFGANG BERTENBREITER : In my view, the less liberalized approach works best. Let's take the example of Tanzania which used to have a rather a strictly regulated cotton sector, with training and so on. After liberalization, cotton companies started being in competition for the cotton and the cotton companies which invested in pre-financing lost all their money as farmers were seeking the best prices for their production. The cotton companies stopped pre-financing the input as well as the funding for training and other services, now the farmers in Tanzania have the highest prices per kilogram of cotton in Africa. When the farmers were trained by the cotton companies they had yields of 600/650kg, now they have yields of 250/300kg. They have higher prices but lost 50% of their yields. Looking at a less liberalized sector like in Burkina Faso where there are concession areas, the companies invest in farmer training through pre-financing, they collect the cotton and the farmers agree on the price. Farmers in West Africa have higher yields than farmers in East Africa where there's little or no support for cotton producers. Zambia presents a different scenario with companies like Dunavant or Cargill heavily investing in cotton farmers. The companies have contracts with the farmers which state that the farmers will repay the loans upon delivery of cotton. Still in the last few years, they have had up to 20% side-selling.

GLOCAL : Given the impact of "pirate buying" on the cotton companies and the countries whose balance sheets heavily depend on cotton, could or should a regional approach try and sort out these issues?

When compared to Asia, the African textile sector is far from being competitive. Spinneries for instance need 24/7 electricity supply. This is one of the biggest problems in East or West Africa at present.

WOLFGANG BERTEN-



« GIZ »

BREITER : There has to be an agreement within the regions. In East and Southern Africa, there has to be a legal framework linking the companies and providing training and support to the farmers they are backing. Or there could also be a regulation stating that pirate buyers are not allowed in the country or that there is a levy on this kind of buying which would then allow the governments to reinvest in farmer training and pre-financing...

GLOCAL : Given the state of the textile capacities in West and Central Africa, do you think that the surpluses collected after the high cotton prices could be reinvested to support the building of cotton transformation capacities?

WOLFGANG BERTENBREITER : No. Textile transformation goes to the cheapest places. When compared to Asia, the African textile sector is far from being competitive. Spinneries for instance need 24/7 electricity supply. This is one of the biggest problems in East or West Africa at present. Salaries of workers are lower in Asia than in West Africa

GLOCAL : Within their energy and infrastructure strategy, could organizations like UEMOA push forward the capacities which would allow the textile industry to take off?

WOLFGANG BERTENBREITER : If they made the necessary investments, it could. There would be international investors going to West Africa. Chinese companies for instance would move to Africa to produce there and avoid the barriers, negotiations and also limit the tax burden they face when they produce in Asia or try to enter the European and America markets. This would allow them to also take advantage of AGOA and /or EBA

GLOCAL : In your work in West and Central Africa, what are the biggest challenges you are confronted with? Is corruption one of them?

WOLFGANG BERTENBREITER : Corruption is not a problem for us because we're working with cotton companies which have integrity. We're working with companies that respect the international Code of Conduct. The biggest challenge is farmer training: how to get the information down to the farmers and how to make sure they apply the content of the training. We realized that we need to invest more in the extension system so that the information about good agricultural practices is properly transmitted to the farmers and helps them understand that this allows them to maintain, for a longer period, their production capacity. Another challenge is to understand how the cotton can be integrated into the national investment plan as developed within the framework of agricultural programmes. The use of cotton for politics is an issue as well. Last year in Malawi, the President was running for re-election and wanted to do something for farmers so he decided to tell them that their cotton would be bought at a given price. This price was well above the world market price and the cotton companies could not pay the price without going bankrupt. The cotton companies could not buy the cotton and the farmers could not sell their cotton. So as not to lose face and still solve the problem, middlemen were brought in who bought the cotton from the farmers at a lower price and sold it to the cotton companies. ■

WOLFGANG BERTENBREITER



Coordination and Monitoring of African Cotton Development Activities

By **PIERRE BERTHELOT** and **FABIO BERTI***

Genesis of the EU-Africa Cotton Partnership

The *EU-Africa Partnership on Cotton* was set up in response to the expressed concerns of the African cotton sector which were hit by a downward trend in cotton prices in the 1990s and early 2000. At the *Paris Forum* in 2004, the European Union and African countries approved the creation of the Partnership and its action plan.

The Partnership has two components: 'Trade', on the one hand, which aims at establishing equitable trade relations under the WTO rules and through the Doha Development Programme; and on the other hand, 'Development,' which aims to improve African cotton competitiveness and add value to it by optimising the impact on producer revenue.

During the July 2004 Paris Forum, an *ACP-EU Cotton Orientation and Follow-Up Committee (Cos-coton)* was created particularly to follow up on the development component of the Action framework while taking into account the trade component. Its priority is to oversee financial resource mobilization, stimulate the actions agreed upon, coordinate and disseminate available information on the topic. Cos-coton has 11 members who represent 5 categories of stakeholders: the ACP States, the European Union represented by the Commission and a Member State (France), regional integration organisations represented by WAEMU, the joint ACP-EU organisations (CDE, CTA) and the private sector (AProCA for producers, ACA for ginners, ACTIF for domestic fibre-processing businesses). The committee is currently chaired by Burkina Faso's Ambassador to Brussels, who represents the ACP Cotton Group.

Action Framework of the Partnership: A Coordination and Monitoring Tool

Following one of the key recommendations of the external evaluation of the Partnership conducted in early 2009, the Partnership "Action Plan" has, since February 2010, been replaced by a Partnership "Action Framework". The latter reasserts the relevance of the EU-Africa Partnership on Cotton and the need to pursue it while adapting it to the context which is also changing. The general goal of the Action Framework is to support the African cotton sector so that it can contribute to developing agriculture and to fighting poverty. Specifically, it aims at enhancing the competitiveness, value-added and viability of the African cotton sector by optimising producer revenues.

The Action Framework is both a strategic reference document and a tool for the coordination and monitoring of actions carried out under the EU-Africa Partnership on Cotton. Six strategic focus areas were defined on the basis of an analysis of problems and challenges to be addressed, as perceived by African cotton sector stakeholders (see box). The reference document serves as a "measuring rod" with which the relevance and coherence of development activities proposed for the sector are evaluated. In short, they must be in line with one or more of the focus areas of the Action Framework.

As a monitoring and coordination tool, it is periodically updated in taking into account the WTO Consultative Framework Mechanism for Development Aid in Favour of Cotton, using information collected from various funding agencies and inter-trade organisations working in the cotton sector. The resulting six-monthly publication allows COS-coton and development partners working in the sector to coordinate activities implemented and identify possible synergies.

Thus, the October 2010 update has identified support to the sector aggregating 460 million Euros, 70% of which are from the EC and its Member States. The C4 countries, the main producers in West and Central Africa, received close to 50% of EU assistance (see www.acp-org.org)

The Action Framework translates the Partnership goals through six strategic focus areas which are defined on the basis of an analysis of the problems and challenges to be overcome, as perceived by African cotton sector stakeholders:

1. Improvement of the capacities to develop, monitor, assess and update national and regional cotton strategies
2. Improvement of the institutional environment, internal organisation and efficiency of cotton value chains
3. Improvement of the competitiveness of the cotton value chains of Africa
4. Reduction in the vulnerability of cotton value chains
5. Increase in value addition generated by the cotton value chains, and
6. Strengthening, efficiency and effectiveness of coordination at international, regional and national levels.

Strategic focus area no. 3 is subdivided into two strategic sub-areas:

- 3A. Improvement in the exogeneous determinants of cotton value chains competitiveness through a decrease in subsidies to cotton produced in developed countries and improved market access conditions
- 3B. Improvement of the internal determinants of cotton value chains competitiveness through market access, support to technological innovation and productivity enhancement.

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While monitoring the implementation of any activity which supports African cotton, Cos-coton has paid special attention to the cotton component of the *All ACP Agricultural Commodities Programme (AAACP)*, (www.euacpcommodities.eu) lately, because of its multiregional dimension. Launched in September 2007, this EU-funded 45 million Euro initiative uses an innovative approach to tackle agricultural commodity issues. This consists in making the expertise of five international organisations (World Bank, CFC, UNCTAD, FAO, ITC/CCI) available to the ACP agricultural sectors through a one-stop service, and thus provides a favourable environment to promote the principles of the *Paris Declaration on the effectiveness of development aid: complementarity, coherence and*

coordination of technical assistance. The Programme mandate concentrates on supporting:

- Strategy formulation for commodities;
- The implementation of such strategies by, inter alia, strengthening producer organisation capacities, promoting good agricultural practices and a better functioning of the markets;
- The introduction and assistance in the broader use of market based risk management tools.

The Cotton Component of the All ACP Agricultural Commodities Programme¹

The programme focuses one third of its resources (15 million Euros) on supporting the implementation of the EU-Africa Partnership on Cotton. Using a selection process based on consultations with the ACP regions, and a detailed scrutiny of proposals by COS-coton, about forty interventions were approved by the AAACP Steering Committee. The paragraphs below illustrate the Programme's approach to some of the main challenges of the sector, as outlined by the strategic focus areas of the Partnership.

Assistance to Strategy Formulation

The first point of the AAACP mandate is similar to strategic focus area No. 1 of the Partnership. Both propose as a starting point the improvement of the capacities to develop, monitor, and assess national and regional sectoral strategies in order to ensure the long term viability of a given sector – cotton in this case. The specificity of the AAACP strategy development exercise, notably through the expertise of ITC, FAO and UNCTAD, mainly comes from its participatory nature and its use of "value chain" analysis. As such, it aims to bring together representatives from every level of the value chain in order to carry out a sector analysis and for their common identification of priority bottlenecks with the aim of finding solutions. In the case of cotton, this exercise also creates a dialogue platform (consultation framework) pooling representatives from professional organizations and public institutions concerned.

To support the implementation of the EU-Africa Partnership on Cotton, the AAACP finances the development or updating of regional cotton strategies in the four regions of Africa.

West Africa: The programme is involved in updating the cotton-to-clothing agenda of the WAEMU (2003) by bringing together both public and private cotton stakeholders in the region. In November 2010, the process resulted in a workshop to validate the "Revised Strategy for the Implementation of the WAEMU Cotton-to-Clothing Competitiveness Agenda (2011-2020)". The opening of this workshop was honoured by the presence of no less than four Commissioners of the regional organization.

Heads of State are expected, in March 2011, to approve this document.

Central Africa: The region opted for a different strategy from that of West Africa so as to incorporate its specificities. Following discussions with ECCAS and CEMAC to agree on a procedure, a consultation workshop took place late March 2011 in Douala, Cameroon.

East and Southern Africa: Encouraged by COS-coton, the programme supported the finalisation of a cotton-to-clothing strategy for the region; the process had already begun before the launching of the AAACP. This Regional Strategy for Cotton-to-Clothing value chain was

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« Courtesy ITC/AAACP »

officially launched on 4 June 2009. It was approved by the Heads of State of SADC member countries as well as those of COMESA member countries, thereby underscoring the broad consensus on the strategy.

Implementation of Strategies

This component of the AAACP Programme covers a wide gamut of actions and addresses in particular strategic focus areas nos. 3B (improvement of the internal determinants of cotton value chain competitiveness) and 4 (reduction in the vulnerability of cotton value chains) of the Partnership Action Framework. To illustrate this point, below are some examples of actions performed with a view to overcoming the major challenges identified by cotton sector stakeholders:

Productivity: A project aimed at building local capacities in Benin, Burkina Faso and Mali to adopt Good Agricultural Practices and Integrated Pest Management for cotton systems associated to agro-pastoral systems, is being implemented by the FAO under the framework of the AAACP. This project, funded by AAACP to the tune of 1.5 million Euros, aims at boosting the productivity and quality of cotton cultivated in Benin, Burkina Faso and Mali through the "Farmers' Field School" approach. It consists in

encouraging learning by doing: cotton farmers are grouped such that, with assistance from a facilitator, they manage themselves a set of experiments on farming practices and pest management under their own operating conditions. Promising results have been obtained which show a boost in productivity. These need to be confirmed and further generalised.

Similar experiments are ongoing in East and Southern Africa. With co-funding from the CFC, the programme targets small East African producers and intends to help them boost yields and cotton production-related revenue by showing the economic and ecological relevance of integrated crop management. This action, designed as a pilot project, will generate results, information and experiences which can be reproduced in other small-scale producer communities.

The Quality of African Cotton:

The competitiveness of African cotton on the international market is undermined by the issue of its quality. It is mainly buyers' perception of this quality that is problematic and needs to be corrected. Nevertheless, COS-coton has strongly encouraged AAACP partner international organisations to look into the issue of the quality of African cotton as a whole. Hence, with co-funding from CFC, the programme is promoting a standard method for the instrumental testing of cotton which in the long term should replace manual grading. This 6.3-millionEuro project includes training programmes and the setting up (in Mali and Tanzania) of regional technical centres which should provide assistance to national laboratories involved, particularly for export certification.

A second component of this mobilization to promote the quality of cotton concerns the prevention of seed cotton contamination. This five-million-Euro project, more than half of which is funded by AAACP, is implemented through collaboration between the World Bank, CFC and ITC. It facilitates, inter alia, the training of producers and other value chain stakeholders such as handlers and transporters. It also gives producers the necessary resources ("clean kits") for harvest. The World Bank contribution centres on institutional issues and incentives.

The ITC complements this support by linking cotton fibre consumers (yarn manufacturers) and buyers seeking high quality cotton. The process falls under the broader framework of a demand-based promotion of African cotton with a view to improving market understanding through direct contact between African businesses and its clients, particularly from emerg-

¹ Since 2004, COS-coton has identified over 160 specific aids to African cotton, a majority of which was provided by the European Commission and its Member States, mainly France/AFD, Germany and the Netherlands. This article concentrates on AAACP assistance because of the multiregional nature of most of its activities.

ing countries (China, India, etc.), It must also be seen in the context of support for the development of South-South cooperation initiatives.

Agricultural Risk Management

One of the main goals of the AAACP programme is to introduce ACP countries to and spread the use of various risk management instruments, particularly price risk and weather risk. This component of the programme focuses on the awareness-raising of potential users (producer organisations, inter-trade associations, traders, financiers, governments) and the building of their capacities. Activities financed by the programme and implemented by the World Bank and FAO include (i) training, (ii) sector, strategy and product risk assessment, and (iii) expert capacity transfer to the regions concerned.

The Future of the Coordination and Monitoring of Cotton Development Activities

Strengthening the coordination and monitoring role of the Partnership with regards to development activities is key to achieving its objective, especially with the AAACP activities ending in late 2011. One of the main recommendations of the mid-term review of the Partnership was the decentralisation of COS-coton, which implies bringing it closer to stakeholders in the regions, while maintaining the Brussels anchorage. This decentralization is currently ongoing and, for a start, it is implemented through the creation of cotton focal points in the main cotton-related African regional economic zones (COMESA/SADC, WAEMU/ECOWAS and ECCAS/CEMAC).

In the field, the decentralisation of COS-coton should translate into having a lasting presence of cotton experts in these regions, each having a cotton sectoral strategy. It will play a pivotal

role in assisting and coordinating public-private consultation frameworks developed in particular to monitor, implement and update regional strategies. In this perspective, it will also be primordial to ensure that regional strategies and na-



« Courtesy ITC/AAACP »

tional strategies are complementary, just like those developed by regional inter-trade associations (AProCA, ACA). In the longer term, it will be necessary to ensure the coherence of these sectoral strategies consistent with national, regional and pan-African (CAADP) agricultural policies. Another major challenge in the area of

One of the main recommendations of the mid-term review of the Partnership was the decentralisation of COS-coton, which implies bringing it closer to stakeholders in the regions, while maintaining the Brussels anchorage. This decentralization is currently ongoing and, for a start, it is implemented through the creation of cotton focal points in the main cotton-related African regional economic zones (COMESA/SADC, WAEMU/ECOWAS and ECCAS/CEMAC).

future assistance to African cotton would be to empower the main professional associations in the sector, through capacity building, to go beyond being mere “beneficiaries” and become true players in their own development. The decentralisation of COS-coton should also contribute to increasing the relevance and coherence of information and communication between African cotton sectors and all parties involved in developing African cotton.

In this context, with the imminent end of the AAACP, the question of the sustainability of COS-coton and of its decentralised structure has yet to be answered. Solutions are being explored, notably through a study on the design of a possible new intra ACP cotton programme which could be funded by the 10th EFD, but also through the stakeholders themselves progressively taking ownership of the coordination and monitoring of cotton development activities. ■



« Courtesy ITC/AAACP »

PIERRE BERTHELOT



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FABIO BERTI



NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

How Can African Fashion Stimulate the African Textile Sector?

Interview with **SEIDNALY SIDHAMED ALPHADI**

Fashion designer and President of the 'Festival International de la Mode Africaine' (FIMA)

GLOCAL : *Can you briefly introduce yourself?*

SEIDNALY SIDHAMED ALPHADI : My name is Alphadi. I am a fashion designer and I am doing my best to ensure that African culture and design receive international recognition. I have not always worked in fashion. I have a PhD in Tourism and I was Director of tourism in Niger for seven years. I stopped working in tourism in order to concentrate on designing because I think that African textile needs "stronger hands" to gain recognition. In 1994/1995, following the death of our colleague Chris Seydou, a great designer and forerunner in African fashion, I became president of the African Fashion Designers Federation (ADF). I am equally chairman of a festival which I founded; the International Festival for African Fashion (FIMA). This festival is an open door event showcasing African textiles, African designers and youngsters through the young fashion designers and top models competition. I am the Goodwill Ambassador for culture in my country as I have a passion for culture, textiles, and designing, all of which I believe form the bedrock necessary for developing a continent which creates jobs.

I am the Goodwill Ambassador for culture in my country as I have a passion for culture, textiles, and designing, all of which I believe form the bedrock necessary for developing a continent which creates jobs.

GLOCAL : *What is the value of cotton to you as a designer?*

SEIDNALY SIDHAMED ALPHADI : The fact that one has to work with imported material is a serious waste. Cotton is the main raw material which we use to produce our collections. Africa only has cotton. It has no linen, silk or polyester. We are trying to produce designs using African raffia, but cotton is the most practical material and is one which sells faster in both the domestic and international markets. It is important for us to give high value to cotton on the African market.

For so many years, I refused to use African wax as it had been produced in Holland for the past 150 years. Dutch wax is very profitable on the African continent but it is consumed exclusively by Africans and for this reason, I think that it should be produced on the continent. If African textiles are not produced within the continent, then I hold that is not

African. This is my opinion and it is also based on the belief that weaving, drawing, printing and designing should be done within the continent in order to better develop the continent and combat poverty. Recently, I created a brand: 'Daviva by Alphadi'; using a type of fabric produced in Nigeria. Daviva was originally a registered trademark of the Chinese and French and they created several jobs in the textile sector in Nigeria. The cotton production and printing are done on the spot and to me, this is how true African cotton should be sourced. We have produced Alphadi loincloths which, for about a year now have become highly coveted on the market, and designers are working a lot with this fabric because they have a sense of belonging vis-a-vis this raw material, African cotton. An African designer without African fabrics will not really have the feeling that he/she has designed something. We are trying to use raffia to create weavings from Burkina Faso, Senegal, Mali and Niger. There have also been some attempts at blending - like what Aissa Doine of Senegal does, blending raffia threads and cotton to create upholstery or dress fabric.

GLOCAL : *What in your opinion is African fashion?*

SEIDNALY SIDHAMED ALPHADI : It is fashion which allows designers, weavers, textile manufacturers and the African culture to excel. African fashion must have a synergy which builds an industry which creates jobs, fights poverty, creates and registers trademarks. The challenge is to create the dynamics for our fashion to be consumed on the international dimension, for it to reunite our people, or our black American, Brazilian and Caribbean brothers, so that Africans will understand that they do not need to mimic Europe and that they have their own high quality skills and designers. African fashion should be used by Africans themselves, as these values would contribute to building the continent, and remain in or return to the continent.

Fashion is noble on every dimension: materials, models, designers, make-up, hair... and all the way to the industrial dimension. African fashion should also be a luxury product: fashion is first of all high-end, before breaking down to ready-to-wear. Fashion to me is also freedom. Where there is a fashion designer, the freedom to speak and dress-up as one wishes will follow. In Africa, we are sometimes blocked by Islamists who hinder fashion designers from expressing themselves as they would like, causing designers to depart from



An African designer without African fabrics will not really have the feeling that he/she has designed something.

the continent resulting in the lost of some of our best brains. Africa must work hard to overturn this painful situation.

GLOCAL : *How can you describe the balance of power between African fashion and European or Western fashion in Africa?*

SEIDNALY SIDHAMED ALPHADI : The balance of power is mainly a matter of resources. Today, money makes all the difference. Our African financiers do not believe in African fashion and do not give it an opportunity to thrive, to be available in every shop like other brands such as Zara, Mango, etc. In Europe, major sponsors invest in fashion design. Designers earn 15-20% of the proceeds and the rest goes to the sponsors. We have genius designers, famous names and trademarks but there is no one supporting us in Africa. This is the area that absolutely needs to be improved upon. Mango and Zara are taking over the African market today; the Chinese are also taking over the market because our governments have not considered the stakes with regard to job creation and the fight against poverty to the point of committing to the sector. Since African fashion designers are

neither visible nor supported financially, they prefer to escape. In Africa we are expected to do everything ourselves...designing, sponsoring, marketing and branding. At some point, we just die out if we do not have enough strength to carry out all these activities.

Which designer in Europe would even dream of opening or running your average shop with personal capital?

GLOCAL : How can we create a durable African model for African Fashion?

First of all, there is a vision to communicate: fashion can help Africa.

SEIDNALY SIDHAMED AL-PHADI : First of all, there is a vision to communicate: fashion can help Africa. We should give a chance to the value of the brand. Our trademarks are registered, but today an African banker sponsors construction of buildings but does not give value to the African brand whereas a European banker knows how to give high value to European brands, invest on the basis of this added value and support activities, even develop products....

GLOCAL : How do African political and economic officials see the contribution of African fashion in the economies of West and Central Africa?

SEIDNALY SIDHAMED AL-PHADI : African fashion is not one of their priorities hence it is not reflected in their policies. There needs to be real commitment in this area for results to be visible in training, job creation and in adding value to African cotton. The African Growth and Opportunity Act (AGOA) exists in the United States to enable Africans to export their textiles but, no African country really benefits from that since there is no quality productivity accompanying mass production, good schools, etc. African politicians need to meet and summon their ministers of finance, economic stakeholders and banks to emphasize the importance of African creativity and fashion, and explain the place of African jewellery and fashion in job creation, as well as the production of goods which are consumed in the African and international market. Nobody can take our place in seeking funding for our factories. That is the only way of helping African fashion to grow. I am now interested in such issues and I am trying to find out how I can open shops in the United States and find the right bankers who believe in me. I have a trademark as well as children in fashion industry and I would like to take up this fight. I have been in fabric production for a long time now and I am working on improving the quality of my product by surrounding myself with the senior Chinese and Turkish technicians.

GLOCAL : What in your opinion could it contribute in a boom for African fashion?

SEIDNALY SIDHAMED AL-PHADI : We should start with training: of the designers who should develop knowledge

Designers, producers, communicators and distributors are all instrumental in the success of fashion in Africa. For this to take effect, we need intelligent, charismatic Heads of State who understand what is at stake and to champion this cause and make it truly progress in the region.

and skills so that they can create without "imitating" anybody. Next, we should train and build the capacity of producers so that the raw materials will be of very good quality and we should also train actors in the clothing industry. Learning to grade a model from size 38 to 50 is not an easy task in Africa today because of lack of know-how. It is necessary to provide means and find funding groups for these people who have received training to work and distribute their products in Africa and in the world at large. Designers, producers, communicators and distributors are all instrumental in the success of fashion in Africa. For this to take effect, we need intelligent, charismatic Heads of State who understand what is at stake and to champion this cause and make it truly progress in the region.

GLOCAL : Should African textile products target the resources of the average African?

SEIDNALY SIDHAMED AL-PHADI : Obviously! We should be able to produce in Africa textile goods that can be consumed on the African market. There is an African market that we must make sure we conquer: by producing our own shirts and 'boubous' in large quantities. We should also diversify our materials. Cotton can be used to produce goods that are not 100 % cotton. It can be blended, mixed, processed with viscose fibre, silk or raffia to give African designers other materials to work with. Africa also needs the prestige and haute couture fashion. When shirts are produced and tagged Alphadi, they cost nothing less than 15 000 Frs, but 2 yards of loin cloth which is sold everywhere in Niamey costs 1000frs; sewing a shirt costs 1000frs so with 2000 or 2500frs one can have a 'clean' shirt.

GLOCAL : What are the new trading projects for the Alphadi brand?

SEIDNALY SIDHAMED AL-PHADI : Today, my new strategy is built around the concept of the "House of Alphadi". This is something which I intend to also develop in Mali, Niger and elsewhere while giving more emphasis to improving African dying. This will also be done by bringing in European dying experts to train those who work with me in solving the problem of dyes that wash out and help us have products that can be exported to Europe and America. This complex will have a production component, beautiful boutiques, a restaurant, hotel rooms, a night club and a bar. The entire project will be like a "fashion café" and represent the image of "Alphadi".

Today, I print Daviva fabrics in Nigeria. I intend to build at a later date, a factory and create prints on the spot.

GLOCAL : How and why was the International Festival for African Fashion founded?

SEIDNALY SIDHAMED AL-PHADI : I realized that as Africans, we were neither visible nor taken seriously in fashion related issues at the international level. The quest for equity was my main motivation. When Yves Saint Laurent came up with products sold at 5000 Euros, we were not able to sell similar quality items at 600 Euros. After ten years of brainstorming, we wanted to showcase designers from the five continents on the same platform and chose the desert as a neutral ground where everyone was equal. At this time, Niger had a terrible problem of rebellion in the northern region. I told my president at the time, Ibrahim Baré Mainassara that only art, culture and beauty could stop the war. That is what happened and that is how the first FIMA was born. It was created to give exposure and provide opportunities to African designers and the textile industry. FIMA was created for the local population and from the onset, I have sought to involve the political authorities in this endeavour because only presidents could influence financial stakeholders and take decisions to promote fashion and let it play its role in African textile.

The first FIMA was very difficult: we mounted 1500 tents in the middle of the desert, with sound, music and lights, we dug wells. Pathé'O, Yves Saint Laurent, Christian Lacroix, Kenzo, Alphadi and many others were showcased on the same catwalk, and we saw the skill of African designers. President Baré died a year after the first FIMA and the festival has not continued as we would have loved it to but at least the first edition proved that the attempt was worthwhile and ensured the continuation of the adventure with other editions. It is a festival which generates many jobs, fills up hotels, helps Niger and gives it a vision of greatness.

GLOCAL : Security wise, such a festival was no easy feat in a country which is home to Islamists...

SEIDNALY SIDHAMED AL-PHADI : Yes, Islamists tried to kill me several times because I was organizing this festival. I asked many women to participate in the catwalks and showed them that cultural diversity and modernity existed. The fight which I am leading is not often understood and accepted by the people of Niger. My vision and charisma scare them.

GLOCAL : You wrote in the editorial of FIMA 2009: "After the affirmation of African fashion at the international level, we are initiating a new essentially economic journey geared towards the creation of a true cultural industry, based on education and training, for a culture of excellence that is indispensable for quality production." Can you say a word or two about the creation of a true cultural industry?

SEIDNALY SIDHAMED AL-PHADI : FIMA is a way of 'selling' Africa and enabling African fashion to be recognized. For

the past two years we have created exhibition stands where designers can exhibit their work and sell to the buyers present during the 5 days of the festival, as well as create a real market. There were businesspersons from Mali, Senegal and Niger. Financial transactions and orders went smoothly among Africans. Today, we hope to have a similar situation between Africans and Europeans. Fashion traders in Africa who own shops in Cameroon and Gabon shop from the ready-to-wear show in New York. We would like them to come and buy from FIMA and from the other shows that we shall create.

GLOCAL : *Tell me something about the Alphadi caravan.*

SEIDNALY SIDHAMED ALPHADI : It is a way of thanking each country that takes part in FIMA by bringing FIMA to their country, and for preparing future designs and designers for subsequent FIMA editions and for encouraging countries to continue attending FIMA. As such, FIMA will never stop. In two years, I have organized 10 caravans which have helped us choose 10 countries, 5 models and 2 designers per country who will take part in the top model and young designer contests. In the end, to thank the country, I present my collection, stay for two more days to discuss with participants, giving them an opportunity to see, touch the designs and realize that we can succeed in African fashion.

GLOCAL : *How far have you gone with the creation of the Advanced School of Fashion and Arts?*

SEIDNALY SIDHAMED ALPHADI : We have acquired land, the plans have been drawn up and the budget obtained. Unfortunately, after the allocation of land, there was a coup d'état in Niger which led to a stalemate because political officials have not given me back the land so that I can commence activities. We have lost a year for nothing.

As regards the running of the school, we will make requests on the budget of the state of Niger, and the rest of the budget will be covered by school fees paid by students. It will be an Advanced School of Arts with 150 selected students. It shall be a three-year programme made possible after obtaining the Advanced Level General Certificate of Education. Our goal is to build a school which reflects the excellence and prestige of African creativity. Also, we intend to train technicians: tailors, small craft trainees who shall be trained for 3 to 6 months in embroidery, pearling, etc. In addition to fashion, we intend to include music, contemporary dancing, hair styling and make-up in the school. We are looking for retired workers from the fashion industry to teach since this will help us reduce costs. This school is my life's dream. Without training and funding, there cannot be any progress and training is the foundation that needs to first be laid down. We hope to have Pan-African students, students from the Diaspora, Haiti, Guadeloupe, Martinique, some European and

American students to be able to discuss, exchange ideas and make our sponsorship, designs and jewellery an international reality based on proven techniques.

GLOCAL : *How can we concretely "expose and amplify the phenomenon of [cultural] industrialization and of [textile] trade at the international level"?* (IFAF 2009 press kit)

Nobody can develop our culture for us. We need to find funds.

SEIDNALY SIDHAMED ALPHADI : We need to find policies and donors who understand that culture has no boundaries and that it enables us say "we innovate and produce by ourselves". Nobody can develop our culture for us. We need to find funds. We have oil, we have the money, these are all the things we need to make us a success. Culture is an excellent sector which can give Africa her place at the international level.

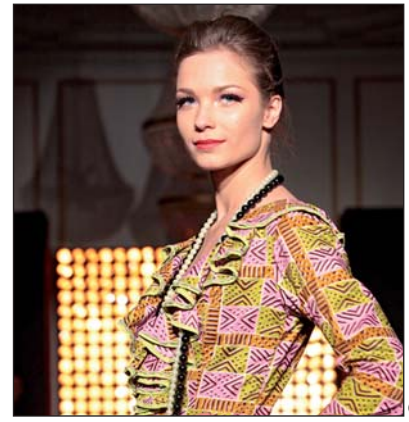
GLOCAL : *In a global economy, the textile industry is threatened by issues relating to cost and profitability. Given the need for competitiveness, what is the role and importance of African creativity as a development factor?*

SEIDNALY SIDHAMED ALPHADI : African creativity is a plus; an incredible added value. Today, Africa has genius designers. I can even say that behind every successful European designer is an African; New York and London have many Nigerian and Ghanaian designers. Africa has designers who have run away, who have been rejected because they are homosexual, because they are Rastafarians, and they leave because they have no freedom.

One day, we will need to discuss those returns and those cultural problems. I started working in fashion at 25, I could have started at 20. Being from a Muslim family, my parents did not at first accept that I should embark on this profession which was not in line with their values and this was not good for the family and was considered by some as degenerate. In Africa, you are stifled if you do not follow the norm. If in 15 – 20 years these young or old talents return to the continent to bring their contribution, they will change Africa. Deep cultural transformations are possible. During FIMA, the young designer competition is stronger, more grandiose than FIMA itself, the geniuses who exhibit their work there really want to show what they can do. We should continue giving a chance to these young people and to African creativity.

GLOCAL : *African women are loved for their full figures. In international fashion which only presents very slim models, shall Africa have something different to bring to the canons of feminine beauty?*

SEIDNALY SIDHAMED ALPHADI : Africa is unfortunately a continent which is not listened to by her own children. If Africa could do this, it would be fantastic



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Culture is an excellent sector which can give Africa her place at the international level.

and finally give a positive image of the female figure. But the influence of the stereotype of international fashion and the low quality of African creations do not allow us to distinguish ourselves from this stereotype for fear of being completely disqualified. We still have the obligation to align ourselves with the canons of international fashion. Progressively, I believe we shall get to a stage where we can present the standard size 10 models and determine three sublime models with their beautiful figures and slowly and steadily move towards achieving a balance. Models are our communication tools. We need to talk about beauty and about the value of the African woman. The work done by models is just a channel that needs to be developed and they do not need to run to Europe and United States of America for recognition.

GLOCAL : *What did I forget to ask that could be important to this reflection on African fashion?*

SEIDNALY SIDHAMED ALPHADI : It is important to insist on how imperative it is that our political leaders understand the benefits and challenges of African fashion and African designs. They must support the cultural, artistic, and textile projects until their completion. We should also stop the exodus of our national talents, those creative youths who run away and never return. We should give them a chance and let them work. If they go away, we provide openings for them to return. The human factor is very important. Today, African designers are tired; they have invested more into their projects than they are receiving in return from the African market. With a billion people in Africa, I believe there is a market to conquer and we should move towards a situation where Africans no longer depend on Europe when they wish to buy goods but instead buy their own indigenously sourced goods. Obviously, without peace, we cannot effect any serious change. This is why this is a complex and vital challenge. ■

Interview avec SEIDNALY SIDHAMED ALPHADI



D- Valorising African Cotton and the Textile Industry

NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

Cotton made in Africa (CmiA): or How to Link Up African Producers with Major International Textile Distributors using a Business-Development Agenda

Interview with **CHRISTOPH KAUT**, Managing Director, Aid by Trade Foundation

GLOCAL : *Could you please introduce yourself in a few words?*

Christoph Kaut : My name is Christoph Kaut, I am one of the managing directors of the Aid by Trade Foundation. Within the Foundation, I handle the development policy sector: we have 4 areas of work for both the Aid by Trade Foundation and Atacora - which is the marketing arm of the Foundation. These include: development policy which is my area, global sourcing to simplify the procedure for retailers to get hold of "Cotton made in Africa", marketing, which is very important because we are a social business and we need to look at the social aspect as well as the business market, and last but not least, sales. The development policy aspect includes the whole systematics of CmiA: verification, impact assessment, social investments at the smallholder level. It is about setting up the system, running it, maintaining and monitoring it.

GLOCAL : *What is "Cotton made in Africa's" product?*

CHRISTOPH KAUT : The goods which we trade in are idealistic goods, rather than the technical quality of cotton. What we are selling is social and ecological values within the framework of sustainability. What we seek to ensure is that when the retailer utilizes CmiA, he can claim the cotton was produced in a better way, more sustainably using greater social responsibility than ordinary cotton. To give a proof of our unique selling proposition we installed a verification system which gives us and the retailer the certainty that what we say is controlled and true. We don't produce or trade. Our sourcing person in the sourcing market has the role of match-maker; he brings together the spinners who spin, the CmiA to the cotton manufacturers, and the garment producers to the retailers.

GLOCAL : *In a nutshell is it right to say that your activity is mainly about marketing and branding?*

CHRISTOPH KAUT : We ensure certain standards in cotton production. This is the money-making side of the coin as we receive the licensing fee for certain products. The reverse side of the coin is the transferring of the licensing fee back to West and Southern Africa. Here I must say we are a young initiative, just a start-up social business.. In the coming years we will increasingly transfer income made from licensing fees paid by retailers to CmiA smallholders. We started by co-financing two community projects to improve rural education in Burkina Faso and Benin. More projects in other CmiA countries are currently in the pipeline. Moreover, it is our vision to start paying dividends to the CmiA smallholders by 2013 / 2014.

When we look at sales, we have been quite successful and I think we are following the right strategy. We started out in 2007 selling the first CmiA labeled pieces and earning the first licensing fees for a little less than half a million items and now in 2010, we have reached over 10 million pieces.

GLOCAL : *Your company is a social enterprise: business*

and development, how do they work together and where is the balance?

CHRISTOPH KAUT : This is simply explained. To our understanding, the idea of a social business is that as a business we make a profit. As a social business, the CmiA distributes its profits to those who created the wealth, i.e., the smallholder farmers. As mentioned above, our vision is to transfer the first surpluses in 2013 / 2014 which we would like to call dividends. They may be larger or smaller sums, as this depends on the success of our business.

GLOCAL : *Talking about social businesses, Unicef chairman Jürgen Hraeus said "The minute they're subsidized, they can be accused of unfair competition."(Self Actualization for All, CmiA website) Can the cotton production benefiting from CmiA support be accused of unfair competition?*

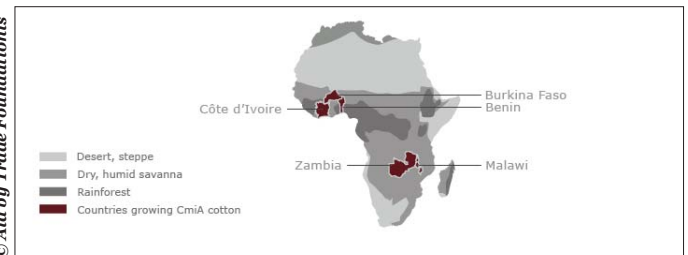
CHRISTOPH KAUT : Not yet. The bigger and more experienced the initiative, the more criticisms it will receive, this is normal.

GLOCAL : *CmiA has an interesting end-to-end approach in*

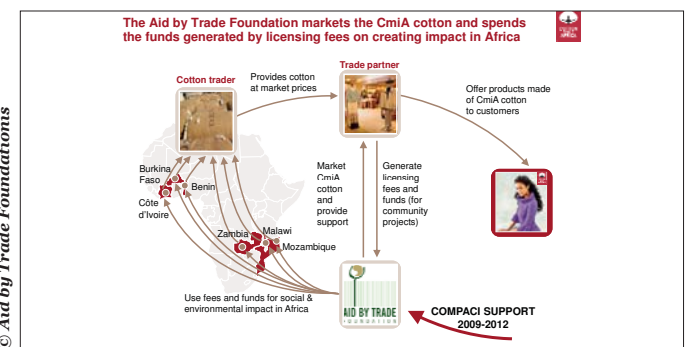
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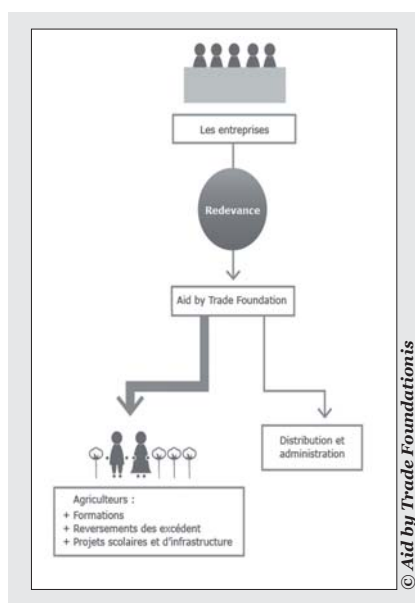


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the regions in where CmiA is active: you work with small-holder farmers who are connected to a specific company which is your partner. How are you interacting with these very different groups of stakeholders and how do they interact together?

CHRISTOPH KAUT : Looking at the systematics or the organization of cotton production in Africa you will usually find cotton companies operating the ginneries. As they do not operate their own farms, cotton companies are dependent on smallholders to supply them with cotton grown on their fields. Cotton companies provide smallholders with inputs, such as planting material, agrochemicals, and fertilizers. As a rule, these inputs are supplied on credit later deducted from the sales price of cotton delivered by the smallholders. In addition, cotton companies invest into smallholder trainings in order to raise the productivity of smallholders. This investment is beneficial for both parties: The cotton company can acquire more cotton (sometimes of better quality) and the farmer increases his income by realizing higher yields per hectare. It's a win-win situation. Our collaboration with cotton companies is important: we work with them to realize our verification target: an increasing degree of sustainability for a large number of smallholder farmers. Moreover, we develop our community projects together with them and farmer's representatives.



GLOCAL : *You have an ambitious target of selling 60 to 70 million items in 2013. How will you do this; by multiplying the number of CmiA producers? By improving the yields?*

CHRISTOPH KAUT : We will continue to increase both productivity and the number of CmiA producers. By the end of 2011, we hope to have verified over 260,000 CmiA farmers. However, looking at our sales targets, we will have enough verified cotton which will enable us not to have shortages along the supply chain.

We are currently working at a rate of 10% sales of the whole verified CmiA cotton and it is sometimes still a challenge to get hold of the cotton.

GLOCAL : *What do you think about certification?*

CHRISTOPH KAUT : We call it verification, others call it certification. Cotton made in Africa does not issue a certificate. Our philosophy regarding verification is a little bit different: we believe that with certification you verify certain standards, however, in our standards, we have one set of exclusion criteria and another set of development standards, which we call sustainability criteria. For the latter, we work closely with cotton companies and smallholders to improve their performance with regard to the standards at the given time. This is done for instance through focused training measures. We thus have a constant improvement approach with smallholders and cotton companies..

To our understanding, the idea of a social business is that as a business we make a profit. As a social business, the CmiA distributes its profits to those who created the wealth, i.e., the smallholder farmers.

The challenges of sourcing «CmiA» cotton

Based on the mass-spelling system and its input/output approach, if a retailer wants to produce a CmiA article in a country where no cotton is available, the spinning mills have no possibility to purchase new CmiA cotton and the retailer cannot produce any CmiA product.

Countries with their own cotton production (India, Pakistan) do not import cotton in big quantities, thus the prices for imported cotton might be a little higher than the local cotton which would lead to a higher price for the ready garment and generate extra costs for the retailer who wants to produce CmiA items.

The retailers see CmiA still more as a “project”. We would prefer that they see us as a regular case for most of their merchandise. The idea of a project might be understood by some parties of the supply chain as an additional income and they ask for a higher price for the final product, even though the CmiA cotton is traded without any up-charge.

We have to make sure that always enough cotton is available for us in Africa. In years like 2010 the producers and traders have sold the cotton fast and for almost any price they wanted. We have established a new position in the foundation, the “Cotton Scout”. He makes sure that always enough CmiA cotton is available in Africa to feed our demand.

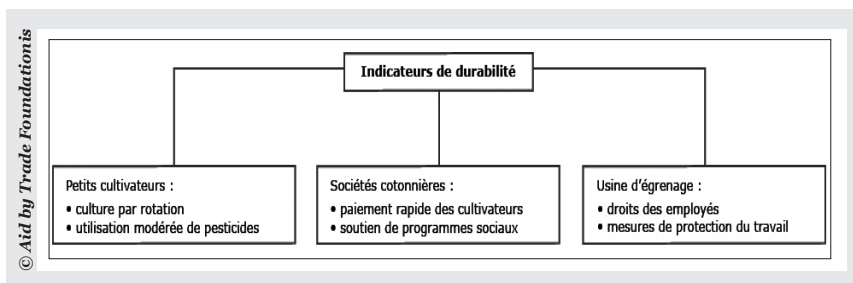
GLOCAL : *You're working through third party verification companies aren't you?*

CHRISTOPH KAUT : The basics of our verification system were developed by the Dutch University of Wageningen. These were further refined and operationalized by a team from PricewaterhouseCoopers with previous experience in standards development in the coffee sector. The verification system was then thoroughly discussed with all our stakeholders (farmer organizations, cotton companies, development institutions, as well as social and environmental NGO's). Regular external verifications are done every two years by two selected professional and independent verification companies, Ecocert and Africert. Additionally, cotton companies have to complete yearly self assessments. When things are not completely clear, we get a report and there's a second round of verification to see whether certain practices which are not considered to be appropriate under CmiA are ended.

GLOCAL : *Looking at the gross margins criteria in your assessment guidelines: “3-year-average gross margin for CmiA-farmers is 20 % higher than that of non-collaborating cotton farmers” which is considered ‘Green’ = Good/ sustainable. Is this 20% difference high enough to have an impact on the cotton producers' development? If so, why and how?*

CHRISTOPH KAUT : This is a very philosophical question. Certainly a 100% increase in income would be better but a 20% rise achieved over a longer period of time is already very helpful. We believe that 20% is a minimum average. This is largely due to the techniques used. Currently, the cotton prices are fairly high and the cotton farmers put a lot of attention into their fields. We have a rotating crop system so that the farmer is not only producing cotton but also sweet corn and soybeans. When the cotton prices fall again, the farmers may attend to their sweet corn fields more actively and they find that if you do not do the weeding properly, you suddenly find your cotton production goes down. It is a tricky system in which we work and it is very hard to make predictions on one crop.

GLOCAL : *You are assessing the farmers on different criteria (people, planet - water, pesticide and fertilizer use and profit). How has their performance evolved since the adoption by the advisory board in 2008 of the final version of the verification framework? CmiA is helping the smallholder farmers and the cotton companies improve and move from red to yellow to green. Would it be possible to have your view on the general evolution of your farmers' base and the impact*



the CmiA initiative is having on the socio-economic environment of the farmers you're working with?

CHRISTOPH KAUT : Change is coming along slowly. Two years are too short a time to deliver predictable data, especially when farming is dependent on climatic patterns, such as sun, rainfall, etc. For the agricultural product, we're only looking at a minimum -year timeline. On some years, the farmers may have had superb training but unfortunately, the rain arrived late and the yield remained small. However, together with our partner programme Compaci, we are currently in the process of establishing a monitoring baseline, against which we will be able to monitor medium and long term changes...

GLOCAL : What about 'Cotton made in Asia or South America' following the same kind of sustainability guidelines? What makes Africa different in terms of positive branding?

CHRISTOPH KAUT : We are thinking of expanding into Asia or South America. The "Cotton made in the Africa" system and its verification system works everywhere we find smallholder farmers. However, at this time, we are sufficiently busy setting up our system in Africa where we still find ample growth opportunities. I believe the biggest social and environmental impact for us can be found in Africa.

GLOCAL : Traceability through the added-value chain is an interesting subject: as explained in one of your articles "all national cotton businesses come together and are handled" in African ports. How have the issues around the necessity for separate transportation for cotton been resolved? What kind of solutions and technologies have you found with the international cotton traders and the African cotton companies you're working with?

CHRISTOPH KAUT : We have a track and trace system which is a voluntary system for the retailers. And if they want it, they need to provide us with the data. Thereafter the cotton is traceable through the value chain. We have a *hard identity preserved* criterion which means that our cotton is our cotton up to the bale being a tradable unit. From then onwards we're working on a mass-balance system which is an input/output system which has to do with the complexity of the value chain. As long as it comes from Africa, the cotton may be utilized in the manufacturing process of the CmiA. However, stocks utilized for CmiA production need to be replenished with 100% CmiA cotton. Applying this system allows the manufacturers to realize short lead times in production – essential in a market driven by fashion and seasons. At the end of the day, the CmiA still receives its licensing fees with which we can support the CmiA farmers in Africa.

GLOCAL : This is a form of traceability but it does not allow for verification that the raw material used to produce CmiA textile items has been produced from the cotton grown in the smallholder farms involved in the CmiA project, or does it?

CHRISTOPH KAUT : If you want to produce a fiber and from that particular fiber, produce a shirt, i.e., full and direct traceability throughout that entire value chain, you will end up with a product which is significantly more expensive than if you're applying a mass-balance system, which is comparable to the eco-grid system applied in some countries when purchasing electricity from renewable sources. As a result of being more expensive due to greater controls, if the CmiA was to ensure reduced licensing fees, it would consequently reduce our ability to support our core group: the smallholder farmer and his family.

GLOCAL : Looking at the difficulties retailers are facing when

they want to use CmiA cotton for the items they produce in China, Bangladesh, etc, is the option of trying to help boost the transformation of cotton in Africa something interesting for your initiative or is it way out of your remit?

CHRISTOPH KAUT : The retailers' wish is definitely in this direction and we are certainly encouraging this trend. However, we are talking about an extremely complex framework. For instance, we discussed with a prominent businessman in order to try and understand why he would not start manufacturing garments in Benin. He pointed out that besides other issues, electricity would cost him

about six times more than it would in China, therefore, this would not allow Benin to be competitive.

However, other countries have shown that it can be done. One of our large partners is producing its garments in a newly opened factory in Ethiopia. Given rising production costs especially in China, and rising urbanization in Africa, we believe that it is a good chance we will see an increasing volume of "Cotton made in Africa" also being manufactured into garments on this continent. "CmiA - cotton grown and manufactured in Africa". It would make a great logo!

GLOCAL : South Africa is an important country for the CmiA, if I'm not mistaken. Is it one of the countries where the whole cotton textile production chain can be located?

CHRISTOPH KAUT : As a garment manufacturing hub, South Africa seems to have increasing problems in terms of competitiveness. As a consumer market, it is large by African standards, but rather small by international comparison. Even though it continues to have potential, we think the future of African manufacturing is in other more densely populated countries on the continent, such as Cameroon, Ghana or, as previously mentioned, Ethiopia. Retailers are producing in locations where production costs are lowest and this unfortunately does not seem to be the case in South Africa.

GLOCAL : Could you please tell me about the school uniform project you've developed in Benin?

CHRISTOPH KAUT : Usually for community projects, we try to work as closely together with the local community as possible. In this instance, providing school uniforms and building a number of schools and school gardens were more or less the ideas put forward by the local CmiA farmers in northern Benin. We placed the projects into a budget but the farmers were the ones to decide what was to be done and where it was to be done. We were asked to provide financial support for locally produced schools uniforms in order to allow more children to attend school and to support the construction of permanent school building in locations where farmers could only afford to build school huts. About one third of the overall investment in this project comes from the farming communities, mostly not in cash but in kind - which is equally important. We hope to have a very fruitful and successful local involvement. After completion we will assess the impact of these projects.

GLOCAL : Looking at the school uniform project in Benin and following a question the panel was asked during a conference on Cotton, Textile and Development in Ouagadougou in November, could the local / regional production of school uniforms be a motor to boost West and Central African transformation of raw cotton and help support the construction of a viable textile industry?

CHRISTOPH KAUT : Viability is an issue. When we worked together with our partners in Benin to produce these school uniforms, it was vital for us to have a local product and employ local labour. The aim was to keep the value addition in the communities. This way, production benefits the local communities but it is unfortunately unable to compete at a global

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level. For instance, production of the same uniforms, called khakis, would have cost half the price if we had produced them in Bangladesh.

GLOCAL : The CmiA is a young initiative but can you already see how you are influencing the way people produce and buy textile products?

CHRISTOPH KAUT : If you are asking about our general impact, then it is tinged with disappointment. When you look at the overall market for sustainable cotton products, it is so small compared to standard cotton whether you're looking at fair trade, organic cotton or our cotton: It is not more than 1% of the overall production nor is it more than 1% in the market. We still have a long and tough road ahead, not only for us but also for our collaborations with our colleagues from the other initiatives to push forward more sustainable products, in our case, cotton into the markets. This by far cannot yet be considered as being mainstream.

GLOCAL : The CmiA entered the American market through the Social Accountability International organization and the British market through the Sustainable Clothing Action Plan. The CmiA also has a presence on the German market, but what about other European countries? In terms of social consumerism of cotton products, what would the CmiA market typology for other European countries (Spain, Italy, the Netherlands, France...) look like?

CHRISTOPH KAUT : I think it is fair to say that the further north you go, the more sensitive people are to social consumerism, while further south, the longer it takes to get there. We are actually working with a French company called Celio. There is some interest from other big French brands as well. When it comes to expanding, it 'is not easy for us because we are a sustainable brand and we bring something new into a company. If the company is only working to maximize short-term profits then their purchasing department will be working that way. Companies need to adopt and integrate sustainability into their overall strategy and adjust their incentive systems accordingly. Some companies have already been through these changes and the structures are ready in place when they approach us so we can start working together immediately. However, with companies have not having adopted a strategy, the process of integrating sustainable products is long and cumbersome. With some companies, it took a year and a half or longer before the CmiA took off.

GLOCAL : The CmiA and the Aid by Trade Foundation work together and one of them is a start-up while the other is a foundation. In terms of a long-term perspective, is the objective to have the CmiA as a completely independent structure or is the Aid by Trade Foundation with the support of the funding from the GTZ and the Bill and Melinda Gates Foundation going to keep supporting the functioning costs of the CmiA?

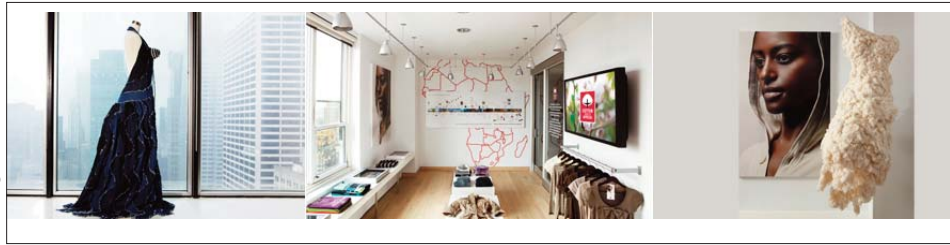
CHRISTOPH KAUT : We understand that the COMPACI and the involvement of the BMZ and the Bill and Melinda Gates Foundation are temporary. Once the Compaci project comes to a halt, "Cotton made in Africa" will continue its work and also take over functions currently financed through Compaci. We intend to progressively take over the part of the COMPACI programme which involves training farmers in agricultural techniques.

GLOCAL : In terms of headcounts, how many people work for the Aid by Trace Foundation, for CmiA and Atacora?

CHRISTOPH KAUT : Overall, we're about nine people in Germany, and on top of that we have outsourcing people working in Bangladesh,

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Turkey and Hong-Kong.

GLOCAL : The CmiA started the "The Demand Alliance" which brings together retail organisations like REWE Group, Puma, 1888 Mills, Mustang Jeans, Edgars, MONKS, 3 Suisses and many more to try and increase the demand for "sustainably grown cotton". How did you bring together these retailers and generate momentum?

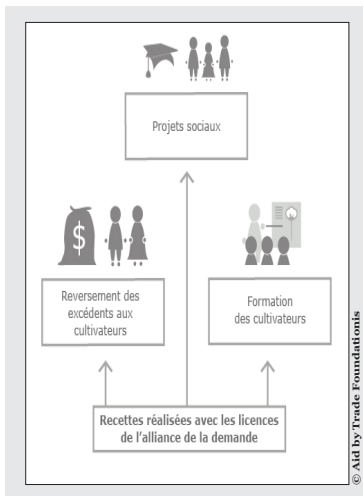
CHRISTOPH KAUT : The Foundation's founder, Dr. Michael Otto, who also happens to be the Chairman of the supervisory board of the Otto Group and one of the principal owners is certainly well connected. He gave us significant support, a kick start and a chance to address and recruit many of the retailers we are now working with. Down the road it becomes slightly easier to get access to new retailers as we get better known for what we do and who we are. In order to to expand sales we now work in two areas, which includes: attracting new retailers into the Demand Alliance, and the second is to increase the volume of CmiA utilized by those who are already partners of Cotton made in Africa initiative. Usually, the company starts with a fairly small amount of cotton to test how their sourcing and manufacturing chain can integrate with the CmiA methodology. Once the tests have proved successful, retailers can start purchasing increasingly larger quantities. The Otto Group, for instance, started with fairly small amounts but in the matter of two years they are already planning to increase consumption of CmiA five fold. That is impressive. We are also seeing this with other partners of the Demand Alliance, such as Puma, S'Oliver and Tchibo.

GLOCAL : How international is that Demand Alliance?

CHRISTOPH KAUT : Well, we have companies from northern Germany and southern Germany! Joke aside; What I mean to say is that this because we are sometimes seen as a rather German initiative which is not the whole truth. First of all, we work with companies which may be located in Germany but are international organizations with a market worldwide, such as Puma, for instance. We also work with companies which are not German at all like Celio in France, Anvil in the United States. Our main challenge is to continue to grow as fast as we did in the past three years in order to make the system work and to improve the lives and the environment in rural Africa. Whether we reach this target through sales in Germany or abroad is of secondary interest. However, as you can imagine, concurrent growth in Europe and North America is certainly the best of all the options, especially in North America where the Gates' Foundation is very well connected. They are helping us open doors so that we can access important retailers.

GLOCAL : The CmiA is about development and business: how are the CmiA business partners able to calculate their return on investment, what are the criteria in terms of reputation, branding, sales, customer satisfaction...? What are the key drivers for businesses supporting CmiA?

CHRISTOPH KAUT : Retailers address this question in different ways. Generally, there is awareness that a sustainable product offering provides a competitive advantage. Customers expect and demand "ethical products", therefore, the CmiA helps retailers meet the demands of their customers. Some retailers have their own labels and we fit the criteria of their own label and they sell us. In this case, you will not even see the CmiA label, they will only see a sustainability label of a particular company, such as the Pro Planet label with the REWE Group. Others are labeling their products CmiA, others will only mention CmiA in their



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CSR reports saying that they are sourcing x% of their total textile from cotton produced sustainably. They all have different approaches, I do not know which one is better, they exist in parallel and obviously work.

GLOCAL : *When asked “What does it mean to activate the power of the market?”, you gave the following answer: “Activating market forces ul-*

timately means generating so much demand that the commodity is in short supply and when we talk about limited supply in a market economy, we’re talking about higher prices and that’s precisely the effect we’re hoping to achieve for our farmers. Generate more demand for cotton made in Africa than there’s cotton then they will be able to sell their raw material at a higher price and thereafter reap the benefits.” Coming back to the CmiA’s ambitions, how are you doing as far as this objective of “generating so much demand that the commodity is in short supply” is concerned? What are your targets and timeline?

CHRISTOPH KAUT : When we’re talking about activating the market forces, we mean that we would like to see the CmiA established and accepted in the market. Retailers should be able to buy CmiA products and pay our (moderate) licensing fee, because they know that by utilizing Cotton made in Africa they are more competitive than their competitors on the market. In development terms, this means that trade in a globalized world can add to continuously improving the living and working conditions of our target group, the smallholder farmers and their families, as well as their environment. The power of the market would thus be the driving force behind a sustainable development “at eye level” across the continents.

GLOCAL : *I guess reputational risk is one of the major risks for the CmiA, how do you mitigate it?*

CHRISTOPH KAUT : We believe, there are three aspects which add to the reputation of “Cotton made in Africa” and the Aid by Trade Foundation implementing this initiative. First, the Aid by Trade Foundation has a strong and independent Board of Trustees and Advisory Board from different backgrounds: we have members from the production and from the retail sector, development institutions, social and environmental NGO’s, banks and think tanks from Europe and Africa. Second, we have a solid and tested system to independently verify “Cotton made in Africa” in the fields and the ginneries, and thirdly, we are open and transparent with regards to our system, the verification criteria as well as the governance and verification results. This is also one of the reasons why the CmiA is an associate of the ISEAL body of standards.

GLOCAL : *In an article titled “We Are Family” about the Compaci Stakeholder Workshop in Ouagadougou you said: “People get to talking with each other. For many, from Europe or the USA, it gives insight into an entirely new universe of experiences and leaves a deep impression. [...] Both sides realize that they have equally important parts to play, and everyone’s work receives recognition,”*

Could you please expand on that because I believe that this is

Retailers address this question in different ways. Generally, there is awareness that a sustainable product offering provides a competitive advantage. Customers expect and demand “ethical products”, therefore, the CmiA helps retailers meet the demands of their customers.

actually a key component to a real non-green washing and successful business/development projects.

CHRISTOPH KAUT : When it comes to our yearly stakeholders meeting, alternately held in Europe and Africa, I think there are two main points. First, participants meet people from other parts of Africa and they are thus able to exchange and learn together, secondly, these meetings are a great opportunity for all participants to learn about other stages of this highly complex textile value chain; cotton ginneries meet spinners, garment manufacturers meet retailers; and thirdly, retailers are very likely to meet and speak to farmers in the field, something they have most likely never done before. Bringing farmers and retailers together under the common label of “Cotton made in Africa” provides for very emotional moments, where we can see how our ideas work at the eye level and see all of our partners in person.

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GLOCAL : *If I can ask a personal question, why did you get involved in CmiA?*

CHRISTOPH KAUT : I got involved in this initiative because I found

If we manage to upscale the CmiA, then we may have instruments which would better balance wealth in a globalised world and which goes beyond the stereotypical development projects and charity. The smallholder farmer, the cotton companies and the retailer are all working together in a win-win situation to mutually benefit from the production and marketing of a sustainable product.

it very interesting that the CmiA’s intention is to improve the lives of a large number of smallholder farmers in Africa by activating market forces, opening mainstream markets for a hitherto non-marketed product. The initiative does not stop its activities at the border of a country but addresses the entire value chain

If we manage to upscale the CmiA, then we may have instruments which would better balance wealth in a globalised world and which goes beyond the stereotypical development projects and charity. The smallholder farmer, the cotton companies and the retailer are all working together in a win-win situation to mutually benefit from the production and marketing of a sustainable product. This model will certainly never be completely free of conflict, however, it can prove that a more equitable social and environmental development is achievable in our today’s globalised world. ■



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Interview avec CHRISTOPH KAUT



UNIVERSITE CHEIKH ANTA DIOP DE DAKAR (UCAD)



Faculté des Sciences Economiques et de Gestion (FASEG)



Laboratoire de Politiques Commerciales (LAPOCOM)

Master Professionnel II de Politiques et Négociations Commerciales Internationales (PNCI)

The current international environment is shadowed by a growing trend in economies and a efforts towards a better integration into the global economy. In this context, universities have pursued relentless efforts in diversifying their academic platform and curricula in order to attract and better serve growing demands for training people confronted with more and more complex issues and a keen competition in the international sphere. The implementation of the Master on International Trade and Negotiations lends support to this objective.



I. Training modules

The Master on International Trade and Negotiations cover two parallel programs, an academic one for the students with Bachelor degrees and a vocational training and capacity building for professionals on trade policy formulation and international negotiations.

The students also follow a two months internship programmes in various entities working on international trades policy and negotiations, such as: Trade Ministry, International Trade Department, nongovernmental organisations (NGOs) such as Enda-Tiers Monde, International Food and Research Institute (IFRI), as well as in the private sector. Students are due to deliver a report following the end of the practice as part of the requirements to complete the Master programme.

II. Research on trade policies

Researches on issues relevant to international trade, trade policy formulation as well as facing the current negotiating challenges such as the Economic Partnership Agreements (EPA), trade facilitation, safeguards measures and issues of importance to the regional integration process are dealt with in the Laboratory on Trade Policy. Programmes and activities include writing dissertations and researches from students and teachers.

III. Jobs placement for students

Data from survey undertaken besides various intakes of students holding the Master degree in this program show that promising results in terms of job placement, for the years 2006-2007 (Table I):

TABLE I: Job placement of students according to sectors of activities

| | Intake 1 Bachelors | Intake 1 Vocational training | Total |
|----------------|-----------------------|---------------------------------|-------|
| Government | | 8 | 8 |
| Education | 6 | 3 | 9 |
| Private sector | 8 | 2 | 10 |
| NGOs | 4 | | 4 |
| Ph. D studies | 4 | | 4 |
| Other | | | |
| N.A. | | | |
| Total | 22 | 13 | 35 |

TABLE II: Job placement of students according to sectors of activities (%)

| | Intake 1 Vocational training | 1ère promotion formation continue | Total |
|----------------|---------------------------------|--------------------------------------|-------|
| Government | 62 | 62 | 23 |
| Education | 23 | 23 | 26 |
| Private sector | 15 | 15 | 29 |
| NGOs | | | 11 |
| Ph. D studies | | | 11 |
| Other | | | |
| N.A. | | | |
| Total | 100 | 100 | 100 |

IV. Figures indicate that the private sector is the main destination for the insertion of students trained in the Master program (29%), followed by the education sector (26%), government (23%), NGOs and post-doctoral studies account for 11% respectively.

It is also interesting to note that trainees from the 1st intake on vocational training were previously serving before joining the Master program in the following entities: Ministry of Economy and Finances (3), Customs Services (3), Public Administration (1), Education (3), private sector (3) and Trade Ministry (1).

V. Organisational matters

Students from intakes 2007-2008 and 2008-2009 have set up business incubation projects as part of their efforts to showcase the skills and capacities acquired during the Master program.

Efforts are also made to set up an Alumni Association that would shed additional exposure to the Master program. In this context, an "Annual Forum" for the Master Program will be launched in order to discuss any issues relevant to international trade policy and negotiations.

Research on cotton in West and Central Africa

Par **O. NDOYE***, **H. ROY-MACAULEY***, **M. D. FAYE***, **A. SANGARÉ***, **P. SÉRÉMÉ***

Introduction

Cotton, which is mostly farmed for its fibre, is an important component in global market speculations. Farmed in over 100 countries, it is a widely traded basic agricultural product with more than 150 countries importing or exporting cotton. The six largest consumer countries are also among the seven largest producers. Between 1980/1981 and 2004/2005, cotton trading represented 30% of production worldwide, moving up to 40% in 2005/2006.

Agriculture is the main source of income and employment for more than 80% of the active population in most countries of West and Central Africa (WCA) where cotton provides a direct or indirect source of income to 15-20 million people.

Though a considerable share of the cotton produced is exported, it remains central to the balance of trade in WCA countries. Cotton provides up to 80% of the export revenues of Benin, 66% of Burkina Faso and over 50% for Mali and Chad (before the latter launched its petroleum activities), as well as 30% in all the producing countries of the WCA.

As a result of its high quality, cotton is one of the rare sectors where Africa is competitive. This is why cotton research is very active in producing countries, with the West and Central African Council for Agricultural Research and Development (CORAF/WECARD) spearheading the research.

Stakeholders in research on cotton in wca

CORAF/WECARD is in charge of coordinating agricultural research in West and Central Africa.

This organisation was created in 1987 in collaboration with the Conference of African and French leaders of agricultural research institutes. In 1995, CORAF/WECARD broadened its base and included English and Portuguese speaking countries from West and Central Africa. It brings together the national agricultural research systems (NARS) of 22 countries. These countries combined occupy a surface area of 11.5 million km² and have a population of 318 million inhabitants, 70% of whom are involved in agriculture. CORAF/WECARD is in charge of harmonising research and efficiently orientating it to ensure a better impact on the population. The Executive Secretariat of this organization is

CORAF/WECARD is in charge of harmonising research and efficiently orientating it to ensure a better impact on the population.

based in Dakar, Senegal. It is headed by an Executive Director who leads a team of about 30 individuals. Nevertheless, the national research systems in the 22 member countries remain the heartbeat for the researchers who implement projects. CORAF/WECARD is mandated to:

- Promote cooperation, consultations and information sharing between member institutions on the one hand and partners on the other hand;
- Define common research goals and priorities at the sub-regional and regional levels;
- Serve as a consultative body for any research carried out by sub-regional, regional or international organizations working in the sub-region;
- Design and ensure an efficient implementation of sub-regional research development programmes aimed at adding value to national programmes;
- Harmonise the activities of existing research components and facilitate the creation of new regional programmes or other operational research units at the regional level (CORAF/WECARD, 2007).

The second category of research stakeholders are the national research institutes with special interest in cotton; in some cases, these research institutes have specialised centres focusing on cotton research alone, as is the case in Benin with the INRAB which has a Cotton and Fibre Agricultural Research Centre [Centre de Recherches Agricoles Coton et Fibres – CRA-CF] and ITRA in Togo with the Humid Savannah Agronomic Research Centre [Centre de Recherche Agronomique - Savanne Humide – CRA-SH].

Cotton development corporations, some of which have been privatised, fall under the third category of stakeholders. Mali has the Mali Textile Development Corporation [Compagnie Malienne de Développement du Textile – CMDT]; in Senegal, the Textile Fibre Development Corporation [Société de Développement des Fibres Textiles – SODEFITEX] has a mission to develop the cotton agro-industry in the country. In Togo, the main goal of the New Cotton Corporation of Togo [Nouvelle Société Togolaise de Coton – SOTOCO] is to develop and improve cotton production in the country.

These cotton corporations are grouped under

the African Cotton Association which aims to defend their international interests and facilitate experience sharing between African cotton corporations in the areas of agronomy, industries and trade.

Another category of stakeholders is the producer associations. In each cotton-producing country in West and Central Africa, such associations already exist and mainly serve to defend the material and moral interests of its members. These associations also function as a liaison between public authorities and development corporations. AProCA (Association of African Cotton Producers) works at the continental level and federates all national associations.

Some producer countries have grouped themselves into alliances of excellence based on their comparative advantages. As such, Benin, Burkina Faso, Mali and Chad when brought together under a project (see major projects), decided to create the following alliances of excellence:

- INRAB in Benin for genetic resource management, biodiversity and bio-safety, and the Regional Gene Bank;
- INERA in Burkina Faso for genetically modified cotton and modern bio-techniques;
- IER in Mali for natural resource management and genetic variety engineering;
- ITRAD in Chad for entomology.

These countries, associated with other cotton producing countries in West and Central Africa, intend to create, on the long term, an African Cotton Research Centre which would incorporate all the research concerns of stakeholders in the sector.

Role and relevance of research in solving the cotton crisis

The new techniques and technologies developed to produce greater quantities and better cotton (for example through improved compost, fight against insects, etc.) are proof that cotton research in Africa is quite dynamic. However, some difficulties persist especially in the areas of agronomy, variety improvement and entomology.

Problem Analysis

In agronomy, low soil fertility is a main shortcoming in cotton production. In crop production areas, the soil is generally poor in organic matter and deficiencies in some of the trace elements are often observed;

In the area of improving the cotton plant, most (practically all) of the varieties available are not tolerant/resistant to insects (like *Helicoverpa armigera*) or even to diseases de-

* CORAF/WECARD, 7 Avenue Bourguiba BP 48 Dakar, Senegal



spite being high yield crops. In entomology, the presence of several cotton plant insect pests is a serious issue (such as *H. armigera*, the destruction of capsules; *Pectinophora gossypiella* and *Cryptophlebia leucotreta*, lepidopterous frugivores). The technological qualities of fibre and lint also constitute a recurrent problem among stakeholders of the cotton sector in West and Central Africa.

Recommended Solutions

The recommended solutions are generally based on the results of the research in the different sectors.

In agronomy, the use of inorganic fertilisers (NPK) and carbamide, as well as organic matter through compost or harvest residue is strongly advocated by agricultural research services in several countries.

In plant breeding, the new varieties researched try to align the potential for high yield with good fibre quality and high oil content so as to satisfy all users.

Entomology seeks to guarantee that crops have limited insect damage while at the same time, preserving the environment and the health of producers. To achieve this, the advocated method is treatment with plant extracts. Also, threshold treatments are increasingly being used to reduce the number of chemical treatments, since the use of

These have been determined to revolve around three main areas: fertilisation, pest control and research for higher performance varieties.

chemicals is based on the evaluation of the vulnerability threshold of insects (number of individuals, larvae or eggs in a given surface area).

Priorities

These have been determined to revolve around three main areas: fertilisation, pest control and research for higher performance varieties.

Fertilisation is quite important for good cotton production. However, most producers do not have enough financial resources which allow them to scrupulously respect research recommendations in the area of inorganic fertilization. One of the channels explored is organic fertilization using harvest residue or compost in combination with inorganic fertilizers.

One of the main obstacles to good cotton production in West and Central Africa is the high number of pests found on cotton plants during farming. Programmes which have been developed through the entomology services of national agricultural research institutes have consequently aimed at primarily, reducing pressure from parasites, especially from piercing-sucking insects.

Research is ongoing for varieties which are agronomically and technologically more appropriate for users' needs. These varieties should merge good productivity, high profitability and good fibre technology with grains which have high oil content.

Potential Donors

At the regional level, possible financiers include regional economic communities like

the ECOWAS or CEMAC in collaboration with their financial partners.

In West Africa, WAEMU, in collaboration with the AfDB is financing a project in four countries (the C-4, see PAFICOT Project below).

Other donors, who have financed or are currently financing research on cotton in other non-West and Central African regions, are USAID, CFC, the World Bank and ICAC.

African countries are maintaining relations with emerging countries through bilateral cooperation. It is in this context that Brazil transferred plant material for evaluation in countries like Mali and Burkina Faso. South-South cooperation with emerging countries, in agricultural research is increasingly expanding since these countries offer multiple services to African countries: as they are active in training through the award of scholarships or the sending of researchers to institutes. Emerging countries also finance research projects.

Presentation of a Viable Organisation

To create a strong and viable organisation, it is important to develop a multi-stakeholder

South-South cooperation with emerging countries, in agricultural research is increasingly expanding since these countries offer multiple services to African countries: as they are active in training through the award of scholarships or the sending of researchers to institutes. Emerging countries also finance research projects.

platform around the concept of the Integrated Agricultural Research for Development (IAR4D). From this platform and based on the value chain, all stakeholders can share their concerns which will be taken into consideration during research.

Research Centres and Training in West and Central Africa

In West and Central Africa, there is no centre that is totally dedicated to research on cotton. However, in Mali, there is the Research and Training Centre for the Textile Industry [Centre de Recherche et de Formation pour l'Industrie Textile – CERFITEX] which is a public scientific and technological institution. It was born from the ashes of the Advanced School of Textile Industries [Ecole Supérieure des Industries Textiles – ESITEX].

The mission of CERFITEX is to provide initial and further training and also contribute to promoting research in textile and related sectors at the national, sub-regional and regional levels. To this effect, it is in charge of providing for:

- Advanced and professional training on textiles
- Further training of professionals, particularly in entrepreneurship
- Applied technological research
- Studies, advice, expertise and assistance

Main projects

Several research projects on cotton are being undertaken in West and Central Africa, which include among others:

WACIP (West African Improvement Program) which groups the C-4 countries (Benin, Burkina Faso, Mali and Chad). This programme aims to strengthen the cotton sector in West and Central Africa and was launched in 2006 for a period of three and a half years. It is the continuation of the programme called Sectoral Initiative in Favour of Cotton for the same four countries, initiated in 2003 by the World Trade Organisation. WACIP, funded by USAID, aims at:

- Increasing the income of the cotton farmers selected in the C-4 countries by 15% for cotton and 10% for corn and catjang;
- Increasing the revenue of cotton processing firms in the C-4 countries by 20% and by 2% for the selected ginners.

PAFICOT, the cotton-textile sector support project [Projet d'Appui à la Filière Coton-Textile] is a multinational initiative implemented in the C-4 countries. It is financed by the AfDB through the WAEMU, for a period of five years (2009-2013). It aims to contribute to poverty reduction strategies in rural areas by securing and increasing the revenues of stakeholders in the sector and sustainably improving cotton production.

FSP-Coton is a project created by the French Ministry of Foreign Affairs which financed the priority solidarity fund [Fonds de Solidarité Prioritaire] with CORAF/WECARD as techni-

cal supervisor. It was carried out in Benin, Burkina Faso, Mali and Togo. It aims to revamp the cotton sector in Africa and increase its competitiveness while consolidating its sustainability. It has three components which include:

- The sustainable improvement of productivity in the cotton sector in Africa by supporting the creation of a regional platform for technologies and the regional coordination of phytosanitary research;
- Building the representation and negotiation capacities of stakeholders;
- Mastering sectorial information management through assistance for instituting a cotton observatory within AProCA (Association of African Cotton Producers) and the structuring of a regional system on cotton.

CFC-Cotton, the Common Fund for Commodities has funded several projects in Africa. In the WCA, they include the Cotton Grain Contamination Prevention Project which was implemented by the IFDC (International Fertilizer Development Center) and which have involved the participation of Burkina Faso, Côte d'Ivoire and Mali.

The role and importance of research in regional integration

At the regional level, CORAF/WECARD is in charge of implementing the agricultural policy defined by the regional economic communities, in pursuance of the NEPAD policy, under the impetus of the FARA (Forum for Agricultural Research in Africa).

The mission and mandate objectives of the CORAF/WECARD incorporate a research integration tool in West and Central Africa. They develop federating programmes and projects which take into consideration the needs of all the stakeholders.

Through their local agricultural research institutes, countries have attempted to harmonise their approaches and pool their efforts in order to establish joint programmes. To this end, exchange trips and periodic meetings are organized on specific themes. In this respect, the Regional Programme for the Integrated Protection of Cotton in Africa [Programme Régional de Protection Intégrée du Cotonnier

en Afrique – PR-PICA] plays an important role in the regional integration of research because it brings together six West African countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Senegal and Togo).

It is however important to recall that research is suffering from some difficulties among which include:

- Lack of qualified staff: Agronomical research is no longer attracting young people because it generates less income than other sectors like information and communication technologies;
- Lack of adequate infrastructure: Not all research laboratories, centres and stations are properly equipped for high-level research;
- Research funding is very limited because States do not allocate enough resources. Agricultural research funding in Africa mainly depends on projects financed by donors. This is what motivated the creation of the Maputo Declaration which calls on African States to allocate 10% of their budget to agricultural research.

Conclusions

Cotton is a very important component of trade speculation in Africa's economy, particularly in some West and Central African countries, hence its name "white gold". In spite of its economic importance, cotton is still facing several institutional, organisational, and even technical and technological challenges. Agricultural research is attempting to overcome these difficulties by organizing the research institutes of the countries involved, through projects and often in partnership with multilateral donors under the aegis of regional economic communities.

CORAF/WECARD has the role of coordinating research, and is also spearheading regional integration by promoting cooperation and collaboration between member institutions and by harmonising the activities of research components. ■

NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

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Introducing Biotechnologies in African Agriculture: The Issue of Adopting Bt Cotton in West Africa

By **Abdoulaye KONE** - Economist specialised in rural activities - Enda diapol

Introduction

Biotechnology is defined as “applying scientific principles on living things (biological agents) to produce goods and services”. In other words, it is the combination of the science of living things – biology – and a group of scientific disciplines like microbiology, biochemistry, biophysics, genetics, molecular biology, etc.

It was only recently introduced to African cotton, beginning in South Africa, and then extending to Burkina Faso. In West Africa, stakeholders have disagreed on its adoption and popularization despite the efforts undertaken by ECOWAS and CORAF, two institutions whose partnerships have resulted in the creation of an Action Plan for the Development of Biotechnology and Biosafety in West Africa (APDBBWA). Even among C-4 countries and Senegal, opinions are divided; while Burkina Faso is a leading genetically modified cotton producer in the sub-region, Mali and Senegal are still hesitant despite having laws allowing them to resort to it. Benin and Chad, the two other C-4 countries are being very prudent. Benin has just renewed, for the second time, its moratorium on GMOs which runs until 2013 and this should help the country develop a legal and technical framework which could eventually lead to the adoption of biotechnology into local agriculture in the future. As for Chad, it is more of a status quo issue. The sector is undergoing institutional reforms which are delaying the inclusion of GMO issues in cotton farming.

In summary, in West Africa, opinions are divergent; to some, *Bt cotton*¹ is an opportunity for cotton farmers to increase their revenue by allowing for considerable drops in production costs and increased yields, thereby repositioning African countries on the world market. Other players on the other hand believe that this new variety will create dependence on large seed producing multinational corporations (Monsanto, Bayer, Syngenta), and will negatively impact the environment and human health, and there are possibilities of some pests developing resistance. Can transgenic cotton succeed in West Africa? What could be the main challenges and stakes of its introduction? How can the difficulties which have been observed elsewhere regarding this new transgenic variety be



avoided in Africa? These are some of the issues which underlie transgenic cotton in West Africa.

Stakes and Challenges to Transgenic Cotton in West Africa

In Africa, family and rain-fed agriculture with low capital intensity is practiced by small farmers who use rudimentary equipment and face several ecological constraints due to climate change. Aside from the absence of a mechanism to fix the cost of cotton lint which could thereby mitigate the volatility of world prices, one of the main difficulties of West African cotton production is the hikes in production cost, imputable on the yearly increase of agricultural input prices. In recent years, producers faced pest resistance especially from the lepidopterous insects. To combat it, they resorted to a massive application of chemical insecticides (pyrethrinoids) to fight them off. In general, cotton farming requires about ten treatments per season, thereby exacerbating production costs. Other producers used endosulfan which turned out to be disastrous for the environment and human health. Today, this highly toxic product is banned in most WCA countries.

In the quest for alternative solutions to mitigate these difficulties, some West African countries like Burkina Faso have also explored the option of transgenic cotton which has been known to produce a toxic protein that eliminates insects such as *Helicoverpa*

Armigera, *Earias Insulana* and *Earias Vit-tela*. Today, despite slight divergences, transgenic cotton is widely accepted by the main stakeholders involved in the management of the sector (producers, cotton corporations and the State).

It must however be mentioned that the challenge raised by transgenic cotton in reducing insecticides should be linked to the challenge of the cotton sector competitiveness in a broader sense. Can transgenic cotton guarantee this competitiveness? To answering this question would be a major challenge. However, competitiveness should not be analysed from the perspective of the quality of the fibre alone. It must include several factors which concern the production chain from; the working time to transport costs (lint and fibre), to ginning costs, to export costs. All of these charges should be considered and incorporated into a minimization strategy. Of all these charges, considering the results observed elsewhere with transgenic cotton, this new variety, if properly managed in West Africa, could reduce working time, production costs and also improve the yields for small producers. The solution for the other costs in the competitiveness analysis concerns mostly internal management. It should however be noted that if yields increase (a high probability with transgenic cotton since this variety is developed under conditions that guarantee better growth), producers can expect higher incomes and better living conditions. The main condition

¹ Bt stands for *Bacillus thuringiensis*, a bacteria naturally found in the soils. It was discovered that the proteins in of this bacteria are toxic to some insects. Scientists isolated the BT genes and introduced them into the cotton genome. The resulting transgenic cotton (BT cotton) is thus immunized against some certain pests.



for such a result to be achievable would be the fair distribution of profits between the technology owners, cotton corporations and producers. However, such results can only be reached if some of the inherent difficulties with transgenic cotton are better managed. These include intellectual property rights, secondary pest resistance and gene transfer.

Also, higher yields could improve the position of West African cotton on the world market which is currently dominated by the USA, China and India, where production is dominated by transgenic technology. This helps them widen the gap between African countries and consolidate their position as leaders. For example, the fact that India is the 2nd largest cotton producer and the 3rd world exporter owes its rank to transgenic cotton. During the 2009/2010 campaign, transgenic cotton was grown on approximately 8.3 out of the 9.6 million hectares, representing about 87% of the total surface area. Considering the yearly adoption rate (10%), it is possible that in the years to come almost all Indian cotton will be transgenic. Brazilians and other competing African cotton farmers are not on the sidelines of this new technology; they carried out closed space trials and are about to adopt transgenic cotton for commercial purposes.

Strategies To Counter Some Of The Difficulties in Adopting Transgenic Cotton

Engineering transgenic cotton required considerable human, material and financial investments. After several years of work, this new variety was created; this is why owner firms demand the payment of intellectual property rights (IPR). IPR are a group of exclusive rights granted for intellectual creations. It comprises of the patent of invention, the new plant variety certificate, etc. Why should cotton producers pay IPR? The law recommends that a new invention must be

protected by law. It is unanimously recognised that transgenic cotton is an innovation and as such deserves to be under the IPR system. Applying this right would favour and encourage the improvement of their technology. It places owners in a better position by providing them with a means for constant improvement because no human creation is absolutely perfect. As such, Bollgard I cotton (a single gene notably Cry1AC) which has shown its limitations in pest control was improved with Bollgard II (two genes: Cry1Ac and Cry2Ab). This new variety better protects the cotton plant against lepidopterous pests.

The other difficulty with transgenic cotton production is the resistance of secondary pests; jassids, predacious plant bugs, mirids, aphids, whiteflies, etc. Note however that these insects are not lepidopterous pests which target transgenic cotton. To control these pests, the best strategy is to administer the recommended treatments. The refuge zone is also an efficient and highly recommended method against resistance. This zone which covers about 20% of transgenic cotton farmland should be cultivated with conventional cotton and should not undergo any treatment so that the pests can settle there and perform some biological duties. The risk for producers who do not practice the refuge zone in transgenic cotton farming is the possibility that resistance will develop after 10 to 12 years.

The risk of gene transfer, which is another problem Bt cotton faces, can be avoided if there is a 15metre separation between the transgenic cotton field and the other non-Bt fields. Cotton is primarily a self fertilising plant; its pollen is heavy and sticky so the probability of wind transportation is almost null, but insects (bees) can transport this pollen over 30 metres. This is why as an added precaution, some researchers advocate about 100 metres between fields. Such a measure is difficult to implement considering the pres-

sure on arable land in WCA. In any case, the current solution to avoiding gene transfer is still problematic for small-scale producers in WCA.

Conclusion

Up till today, most large cotton producing countries (USA, India, China, etc.) that have adopted transgenic cotton appear to be satisfied with the results of this new variety, both in terms of improving outputs and increasing producers' income. It can be recommended to small West African producers on this basis, but it should be noted that the technology should not be imported as is. Several factors contribute to its success; soil quality (rich in nitrogen and phosphorous), rainfall levels and, most especially, the variety of the gene which will be inserted. It would be a mistake if Africans imported seeds from multinational companies and used them without making sure that they were adapted to local conditions. No agricultural technology has universally optimum qualities especially in the context of diversity of climatic conditions. The Indian and Burkina Faso experiences are quite enlightening on the topic. However, considering that environmental and sanitary impacts of transgenic cotton are not well known, it would be better to be cautious or to adopt a moratorium. In the context of stiff competition regarding cotton fibre in the world market where most competitors (USA, India, China) are already trading transgenic cotton (its fibre do not contain GMOs), time could be against Africans. Their excessive caution could be perceived as resistance to innovation. ■

ABDOULAYE KONE



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Regional Approach to Revamping the Cotton Sector in West Africa

By **LÉONIDAS HITIMANA** and **JEAN SIBIRI ZOUNDI** - OECD Secretariat for Sahel Club and West Africa

Introduction

The cotton sector in West Africa has been in a crisis caused by diverse factors which have existed since 2004. Between 2004 and 2009, production dropped by half, from 1.2 to 0.6 million tonnes. The decline in cotton production in recent years originates from the difficult global context which we have been facing and the hardly favourable national strategies and policies. World prices underwent a sharp downward turn between 1995 and 2009, owing to three main catalysts. Firstly, global stocks during that period represented double (10 million tonnes) as compared to previous years. Secondly, there was stiffer competition from synthetic fibres. Cotton consumption, as compared with other fibres, dropped from 52% in 1975 to 35% in 2010. Thirdly, subsidies were granted by several countries (the USA, China, India, Brazil), to sustain production in countries where the average production costs exceeded the market price.

Although we have observed a downward trend in subsidies in recent years, subsidies have not yet been totally discontinued. According to the International Cotton Advisory Committee (ICAC), subsidies in the cotton sector amounted to 4.7 billion dollars in 2009-2010, as against \$6.2 billion in the preceding crop season. For instance, in the United States of America, grants dropped from 3.2 billion dollars in 2008-2009 to 1.8 billion dollars in 2009-2010. This issue of subsidies prompted an initiative in favour of the cotton sector in Burkina Faso, Mali, Benin and Chad (C4). But the attention which was focussed on subsidies seemed to conceal other major structural challenges pertaining to the development of the cotton sector.

Cotton constitutes a key economic and social investment for West African producers, especially in terms of export earnings (this is approximately 50% of export revenue for Burkina Faso and Benin), and in addition, millions of people depend directly or indirectly on cotton for their subsistence. The 'Cotton system' plays a strategic role in food security with a trickling effect on food production (maize, sorghum, cowpeas, sesame...). Thus, the cotton zones have become « models » of economic and social development in rural areas, to the extent that cotton companies have contributed to the construction of roads and building infrastructure to facilitate trade, constructing health centres and schools.

At the time when most pessimists have been talking about the phasing-out of West African

cotton, it would worthwhile to explore the shared regional vision which is liable to give a new lease of life to the West African cotton sector. In March 2010, the 8th African Cotton Association Week (ACA) was held in Yaounde, Cameroon. During this event, the stakeholders deliberated on drawing up a strategic regional plan and establishing regional industrial textile centres. Such awareness regarding the need for a coordinated regional strategy is encouraging and deserves our full support with regard to enhancing the competitiveness of the crop.

This note is designed as a contribution to such in-depth reflection.

The competitiveness of West African cotton is facing tough times

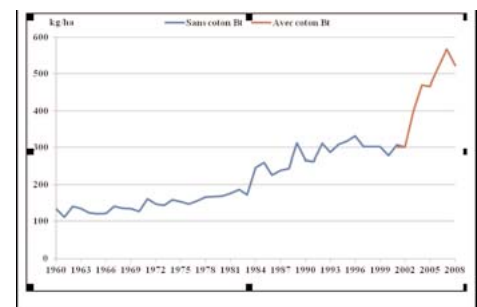
The performance of the cotton sector in West Africa has been hampered by several factors including: a low level of technological development in the face of competing countries; slow and incomplete reforms; a low level of maximisation of the « quality » potential demonstrated by the West African cotton and the pegging of the CFA franc to the Euro.

Low rate in technological development as compared to competing countries.

Africa is lagging behind technologically when compared with other competing countries. This explains the poor yield in West Africa. Regarding modern biotechnologies, with the exception of South Africa, Burkina Faso is the only country that adopted the transgenic **Cotton (Bt cotton) in 2008, with nearly 100 000 ha under cultivation in 2009, meaning that one-quarter of the total cultivable area of the country produced cotton. Most of the competing countries in West Africa have, to a large extent, adopted Bt cotton, but the international market does not distinguish between the conventional and the transgenic fibre. Since 1996, the area under Bt cotton production recorded a substantial growth in Asia and America. In 2008, Bt cotton represented 51% of produc-**

tion, 44% of the area under cultivation and 48% of global trade. Bt cotton has made it possible to reduce the use of insecticides and increase yields in India, from an average of 302 kg/ha in 2003 to 560 kg/ha in 2008, whereas the yield in French-speaking West

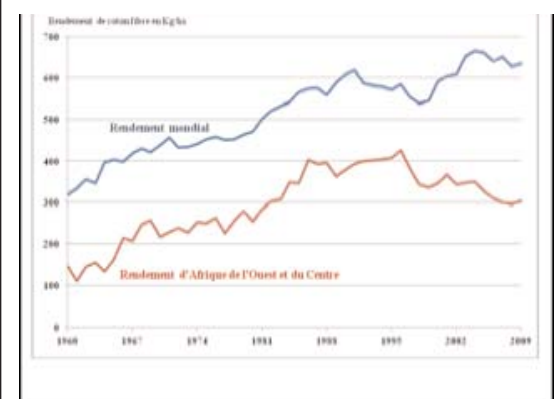
Chart 1: Evolution in yields of cotton fibre in India from 1960 to 2008 (in Kg/ha)



Source: CSAO/OECD Secretariat based on USDA data, 2010

African countries decreased from 400 to 300 kg/ha between 1995 and 2009. This level of output is still low as compared to the global average estimated at over 600 kg/ha. The low rates of investment in research, as well as the

Chart 2: Evolution in yields of cotton in West Africa and in the world (1960 to 2009)



Source: CSAO/OECD Secretariat from USDA data, 2010

system of rain-dependent production account for the poor performance.

Slow and uncompleted reforms with sometimes mitigated results

The implementation of cotton reforms initiated in the 1990s shows guidelines and rhythms varying from one country to the

other. In most instances, these reforms have been slow and incomplete – and according to some, have had mitigated results which are similar to the reforms carried out in East and South Africa. The general finding is that cotton production almost collapsed after those reforms. However, it is difficult to determine whether this is attributable to the effects of the reforms or to the uncertainties that have plagued the world cotton trade. Nevertheless, it could be observed that production slumped less in countries where reforms were oriented towards an integrated sector, like in Burkina Faso. In countries like Benin, the models of privatization did not take into account the need to preserve the integrated sector, insofar as the owners of ginning factories made no commitment to lend support to the cotton production and marketing sectors.

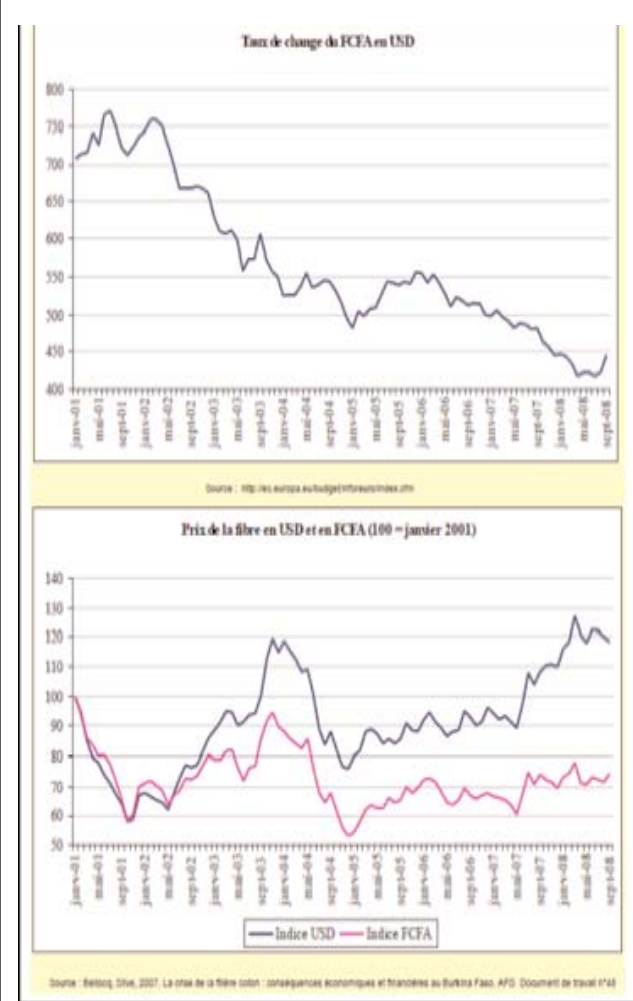
Advantages of manual harvesting thwarted by laxity in the classification of cotton quality

West African cotton is essentially harvested manually. So, the fibre obtained contains fewer knots and shorter fibres than cotton harvested mechanically. In addition, African countries that cultivate fewer varieties produce relatively homogeneous fibres. This accounts for the good reputation of this good quality fibre after it is processed, and its being highly appreciated in the Chinese market, the principal destination of West African cotton exports. However, this « quality » potential is not developed due to the contamination of cotton by foreign agents (vegetable wastes, plastic bags, etc.). Even though the length of the fibre is very much appreciated, such impurities cause the West African cotton to be sold at a discount. In certain African countries, the introduction of a bonus for quality by the ginning factories has prompted producers to be more rigorous during the grading and sorting operations prior to storage and transportation of the cotton. That is particularly the case in: Zimbabwe (10 cents/pound between 1995 and 2001), Zambia (+5 cents per pound), Burkina Faso (+ 1 cent per pound). In most West Africa countries where grading is lax, this has proved insufficient. For instance, in Mali, 99 % of the harvest is purchased as first choice, irrespective of the grading results (highly contaminated or not). This situation is prejudicial to the global reputation of the West African cotton. Greater stringency in standards would make for a higher selling price that may reach 0.10 USD. Unfortunately, the ginners, producers or policy makers do not seem prepared at the moment to face up to this challenge.

Depreciation of the US dollar in relation to the CFA franc pegged to the Euro is a disadvantage to the sector

Between 2001 and 2008, the exchange rate

Chart 3: Exchange rate of the CFA/Dollars and price of the fibre in USD and in CFA (2001 – 2008)



of the dollar for the CFA franc was divided by two. In April 2002, the exchange rate was 740 FCFA for 1 USD on average as against 416 FCFA for 1 USD in July 2008. Such a depreciation of the dollar when compared to the CFA provoked a drop in prices for producers in countries of the CFA zone. The buying price for cottonseed in weighted average dropped in the West African Economic and Monetary Union (UEMOA) zone from 198 CFA/kg in 2004-2005 to 159 FCFA per kg in 2007-2008. During the same period, the cost of inputs (most of which came from the euro zone) sharply increased and the profit margin, after reimbursement for inputs, was divided by three. In some West African cotton basins, there was a drop from 180 000 CFA/ha to 60 000 CFA/ha between 2004 and 2008. Despite an increase in the price of cotton between 2001 and 2008, cotton fibre for countries in the CFA zone lost 30% of its price value. In 2010, the trend in the depreciation of the dollar compared with the Euro was maintained; a dollar was about 470 CFA. In spite of an upsurge in the

price of cotton on the international market in 2010 and 2011 (world prices doubled within a year, between January 2010 and January 2011), this exogenous factor will therefore continue to erode the competitiveness of cotton exported from the CFA zone.

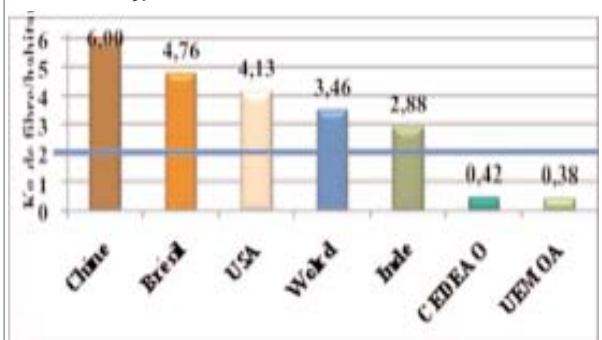
Build a regional vision to improve the competitiveness of cotton

Cotton production is organized across trans-border basins – geographically integrated spaces within which a lot of trading takes place between communities that most often share the same history and culture. In 2003, 55% of the cotton fibre production in West Africa was situated in the trans-border zones between Burkina Faso, Ghana, Mali and Côte d'Ivoire. A regional approach based on comparative advantages would allow for lower costs and a consolidation of intra-regional market strategies and the promotion of local textile products. This vision could be buttressed by the following elements.

Establish a textile industry based on trans-border production basins

Locally produced textiles cover only 17% of the needs in the UEMOA zone. Over 80% of the textiles are covered by imports and second hand clothing. Cotton fibre consumption in the region is one of the lowest in the world. From a regional perspective, the textile industry therefore represents a huge market to be captured by the regional industry. That regional industry can only be made possible through an agreement on coordination and mutual production which guarantees opportunities for the distribution of

Chart 4: Consumption of cotton fibre per inhabitant (average 2000 to 2009)



Source: CSAO Secretariat based on data USDA, 2010

African cotton in markets of major cotton producing countries. Such an approach, ambitious as it may be, would facilitate the improvement of local production and competitiveness. In order to benefit from the economies of scale, the textile industry should be set up in trans-border zones, especially to reduce transportation costs. The quality of the cotton fibre and the availability of cheap labour are assets in the West African textile industry. To this, there is the added advantage offered by the potential demand resulting from a high demographic growth. The local processing of cotton could depend on the existence of a potentially dynamic market and a certified demand in diversified products, particularly uniforms for government workers, school children, military, police, customs uniforms and medical overalls, etc. This will warrant a transitional period of protection, a requirement for any nascent textile industry. Pakistan, from 1988 - 1999, was the 2nd world exporter of unprocessed cotton, but it became a net importer by the mid-90s due to the development of its textile industry. This country later rose to the position of the number one world exporter of spun yarn. Such processing was possible thanks to a proactive policy that systematically promoted the textile industry and the devaluation of the national currency. Another support measure in re-launching the textile industry would be to have lower electricity charges in favour of the textile sector, as seen in various Asian countries.

The implementation of a regional strategy for ECOWAS and UEMOA for the promotion of fertilizers in West Africa

In less than 10 years (from 2001 to 2010) the cost of chemical fertilizers doubled from 200 CFA to about 400 CFA per kg. Developing a local fertilizer industry and promoting mutual production of fertilizers depending on the comparative advantages of the various countries would enable a reduction in costs and render agricultural inputs accessible. Speedy implementation of the regional strategy for the promotion of fertilizers in ECOWAS and UEMOA adopted in 2006 could enhance the competitiveness of West African cotton. Using 25% of Nigeria's annual gas production would be sufficient to produce enough nitrogenous fertilizer to cover the yearly requirements of the whole of Africa, whose potential needs to be developed at the intra-regional level.

Promote a regional policy with the quality label « African cotton »

The manual harvesting of cotton gives West African countries a comparative advantage which should be developed. If this asset were properly developed by reducing the level of contamination of the untreated cotton, West African countries could obtain a bonus of up to ten cents per pound from the international market. The institution of a common regulation for West Africa through concerted efforts could provide an opportunity for protection and guarantee the « West African quality label cotton ». For instance, a system could be established as an incentive for producers to improve quality by carrying out additional sorting prior to ginning, in order to attain the quality required by buyers. An independent quality inspection prior to dispatch could better convince buyers of the accuracy and reliability of the control. The future of the sector will depend on the willingness by operators in the sector to meet the new requirements of a textile industry undergoing profound industrial changes.

Mutual system of regional innovation of Cotton

Some research projects are long and costly and require rare expertise that any country would be hard put to provide single-handedly. Joint research at regional level would make it possible to set up not only regional poles of excellence but also promote the development of high-tech regional laboratories. The lead taken by Burkina Faso in the field of transgenic cotton could then be put to account in the entire region and lead to lower costs per hectare of crops. This «leader country» approach whereby research is developed in one country to serve the «region», has stood the test of time in OECD countries.

Establishing a regional “fonds de lissage” to reduce the high volatility in prices

In 2008, Burkina Faso adopted a « *fonds de lissage* » (smoothing fund) in view of dampening the impact of the high variability in world cotton prices which had become highly volatile. The main objective of this fund was to manage risks related to the volatility of cotton price in the short-run. It consists of managing the free fluctuation of prices within defined margins which reflect market trends.

Other countries (Mali, Senegal, Côte d'Ivoire are preparing to adopt a similar mechanism on price fixing. Other price stabilization mechanisms do exist (bottom price, forward trading, etc.) which need to be broadened. At the regional level, a reflection of this trend would make it possible to further this impetus and enhance convergence with a view to implementing a coordinated strategy on management policies which would curb the negative impact of price volatility. Such a regional fund could be set up within a regional economic organization.

Conclusion

These few examples show the inclination towards an ambitious, integrated and common vision for the development of the West African cotton. Such an ambition should not however conceal the difficulties posed by the political reality/implications of such an approach. Is it possible to have the same political commitment for a common action like the one which prevailed in 2003, when the C4 was formed? Is it also possible to realize such an ambition as long as the development aid approach to the cotton sector remains a hotly debated topic in several countries? The approach adopted within the context of the on-going reforms in the cotton sector increasingly highlights the complexity of the problem.

Redesigning the future of the West African cotton equally requires resolving the issue of the destination of the West African cotton fibre once and for all. Is the idea to respond as a matter of priority to the development of the textile industry in West Africa or to promote the international market? It is expected that the common regional vision will actually enable all actors concerned by the future of the cotton sector to reach a consensus on these issues. ■

NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

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LÉONIDAS HITIMANA **JEAN SIBIRI ZOUNDI**



Broader Vision of the Cotton Sector in West and Central Africa: The WAEMU Cotton Agenda

Interview: MR BALLA DIONG - DEIA/WAEMU - Cotton Agenda

Mr Balla Diong, Director of Enterprise, Industry and Crafts for the Department of Development, Enterprise, Telecommunications and Energy of the WAEMU Commission, is in charge of supervising the drafting of the summary document on the revised strategy for the implementation of the agenda for competitiveness of the cotton-textile sector in the WAEMU for the 2011-2020 period. In this 2ACD publication, Mr Diong gives a technical opinion on the ongoing work. The revised Cotton Agenda is under examination and awaiting validation from the Commission of the West African Economic and Monetary Union.

GLOCAL : *How would you define the cotton-textile sector? What activities does it include?*

BALLA DIONG : Explained practically, it is a process through which all the stages of cotton manufacturing is carried out, including; the process through which cotton is produced, processed and sold – from the sowing of the cotton grain to the confection/sale of clothing or the production of crushed oil.

We hope to assist competitively viable cotton industries which under the management of the States involved, can contribute to reducing poverty, improving the valorisation rate of a product which so far has been considered as a raw material with a view to progressively attaining the main goal of the Cotton Agenda: a threshold of 25% in processing unginning cotton produced in the region.

These activities are carried out within the various segments of the value chain:

- Research (agronomics and pest control technology, pedology and soil fertility management, entomology and crop protection and agro-socio economics);
- Seeds (genetic engineering, variety improvement);
- Chemical inputs (fertilisers, pesticides);
- Production (clearing, seeding operations, weeding, ploughing, manuring, treatment, harvest, transport, storage);
- Marketing (merchandising, cotton lint classification/quality, evacuation);
- Ginning
- Exportation (classification of the fibre, transportation, shipment, lint, waste);
- Spinning/weaving/ennobling and marketing;
- Dyeing and marketing;
- Cotton grain crushing (oil, oilseed cake, marketing).

GLOCAL : *Could you give me some elements to help understand why the last Cotton Agenda did not yield the expected results?*

BALLA DIONG : The adopted institutional framework did not facilitate the regular holding of meetings: the members of the follow-up committee were geographically scattered and the meetings were becoming expensive to hold; national focal points, for lack of resources, were unable to carry out their missions of participatory analysis and of steering the programme in pursuance of the goals of the Agenda. Also, operating leverages, keys to the implementation of the action plan of the Agenda, were not yet in place. Some of these leverages were the Regional Fund to promote cotton production and encourage the local processing of fibre, the Regional Investment Fund for the development of the textile industry in the WAEMU, permanent sectorial State-private sector consultations around all actions to be implemented to boost the competitiveness of the sector, the active campaign to share the Agenda and promote the WAEMU zone.

The decision of some technical and financial partners to continue work-

ing in the sector in a bilateral fashion - which is unrelated with the guidelines of the WAEMU Cotton Agenda - made the situation even more unclear.

GLOCAL : *Can we not say today that contrary to the first 2004-2010 Agenda, the new Cotton Agenda is off to a most auspicious start?*

BALLA DIONG : The revised Agenda is enjoying more favourable conditions, notably financial support of the All ACP Programme on basic commodities including cotton, technical assistance from the CCI for updating the Agenda in relation to other international organisations like the WB, CFC, FAO, etc. The upward trend in cotton fibre prices on the world market, stronger awareness of the need to put in place partnership conditions which are profitable to all stakeholders (farmland producers, transporters, ginners, etc.) are all positive elements in this current context.

GLOCAL : *How will the scenarios on which the cotton agenda are based resist if prices fall again?*

BALLA DIONG : The first agenda was born in a context of growing production with bearish cotton fibre prices on the world market, using mechanisms which are completely foreign to the States concerned.

The decision of the WAEMU Commission to revamp the Agenda dates back to 2008; well before the very interesting surge of the current price of fibre.

Since the new Agenda is only a revision and an update of the first approach, most of the themes remain up to date and the goal of processing 25% of produced fibre is still high on the agenda. The only change is the goal achievement period which is now ten years. This approach benefits from the world market cotton fibre prices but it was not designed and developed because of this trend.

GLOCAL : *Could you talk about the sectors where the “first” cotton agenda produced results?*

BALLA DIONG : The “first” agenda was set up a Follow-up Committee with the majority of its members being representatives of the cotton private sector, with rules of procedure. The WAEMU member States have formally created focal points, some of which have worked well. It has also ensured the holding of periodic meetings of the Follow-up Committee and the harmonising of cotton standards within the WAEMU. Under this agenda, BOAD carried out two studies on the creation of Regional Funds dedicated to the cotton-textile sector widely debated upon by the stakeholders concerned and the Enterprise Development Centre (CDE) carried out a study on profitable services which included the textile-clothing sector to the WAEMU. The “first” cotton agenda can also be credited for the implementation of the AfDB support project for the cotton-textile sector in the C-4 countries under the Cotton Agenda.

We hope to assist competitively viable cotton industries which under the management of the States involved, can contribute to reducing poverty, improving the valorisation rate of a product which so far has been considered as a raw material with a view to progressively attaining the main goal of the Cotton Agenda: a threshold of 25% in processing unginning cotton produced in the region.

GLOCAL : How can the new agenda be more successful? What governance tools / techniques / methods / model can guarantee the success of this ten-year strategy?

BALLA DIONG : The revised Agenda seems more elaborate than the first. It has broadened its scope of action by including an oilseed crushing sub-sector and a design/dressmaking/clothing sector. The implementation of the AfDB support project and the attainment of the projected results provide the new Agenda with several useful lessons to draw from. A focal point dedicated only to the cotton-textile sector within the WAEMU, is a new tool which has been developed and incorporated into the new agenda.

The Select Technical Secretariat (STR) within the WAEMU is more dynamic in steering and following up activities than the first which was geographically dispersed. Its implementation plan is a project management tool with participatory and consensual execution at the stakeholder level and it ensures the identification of potential assistance actors during each financial year and boosts them. The new agenda enjoys early funding from the All ACP programme and has a high chance of receiving funding from the 10th EDF. It is clear that the prospects of triggering off the most important action levers, including funds, are better than with the previous agenda.

GLOCAL : Who are the stakeholders identified for this new Cotton Agenda?

BALLA DIONG : We have identified three main groups of stakeholders: Technical and Financial Partners (European Union, ITC, World Bank, CFC, FAO, AFD) and we expect to build further contacts through donor round table discussions with sub-regional institutions (BOAD, BCEAO, WAEMU Commission, CCR); and with States (public and private sectors).

GLOCAL : What is the importance, the influence and the driving force of the WAEMU in creating a dynamic system, which gives coherence and drives active stakeholders to support the region's cotton sector so as to implement a coherent and efficient strategy with measurable progress?

BALLA DIONG : The WAEMU has experience in initiating and coordinating such a programme. For example, the PRMN (Restructuring and Re-updating Programme), the Regional Initiative for Sustainable Energy Development (IRED) and the quality promotion programme were all managed by the Enterprise Development Department (DDE), which was able to mobilise considerable financial resources. The Regional Fund for Agricultural Development (FRDA) of the Union was also created.

The initiatives will be in partnership with the BOAD, particularly, as regards the creation of funds and the organisation of the donors' roundtable. The Regional Consular Chamber (CCR) will also be involved in order to assure a concrete participation of the private sector.

GLOCAL : How are the different development projects of donors and development agencies, as required by the WTO Cotton Sub Committee, included in or aligned to the WAEMU Cotton Agenda?

BALLA DIONG : Apart from the European Union which is the main donor in the All ACP Programme, international agencies such as the ITC, the World Bank, CFC, FAO and UNCTAD are in charge of the implementing part of the Programme and other partners like the AFD will act as potential donors in the area of securing revenue. The AfDB is also involved in the sector through the WAEMU Cotton Agenda. Our wish is that all the technical and financial partners interested in the cotton-textile sector will join the movement of the revised Agenda according to their priorities and the usual rules of conduct for support.

GLOCAL : How can this ten-year cotton strategy contribute to advancing sub-regional integration in the WAEMU? Could you give specific examples? How about collaboration with other cotton producing African countries?

BALLA DIONG : The participatory approach adopted during the up-

dating of this Agenda further united stakeholders within various subsectors as well as with regional partners and community integration strategies.

Under the first Agenda, Benin, Burkina Faso, Mali and Chad signed a cooperation agreement with the WAEMU Commission in relation to the implementation of the African Development Fund Support Project for the cotton-textile sector in the four countries following the Sectorial Initiative in Favour of Cotton. This is proof of integration. This cooperation consolidated the intention of cotton producing countries in Central Africa to draw inspiration from the WAEMU strategy and undertake common action at the international level.

Also, processing plants targeted in the Agenda will be installed in the different countries concerned depending on the comparative advantages as regards the long term impact on the other countries (prospect of regional specialisation, for example).

The following are planned at the different levels of the value chain: research actions (standards of excellence according to the comparative advantages), variety gene banks, group acquisitions of inputs at the regional level, spare part purchasing, co-operative database for ginning companies, experience sharing, etc.

The programme which aims at fighting against non-spinnable cotton contaminants includes Chad, Cameroon and Central African Republic. Through experience sharing and dissemination, the results will spread out to other African producers. Technical and Financial Partners (TFPs) will need to contribute by sharing their experiences of cotton producing with different sub-regions in Africa.

GLOCAL : What is the level of research in the WAEMU? How can it be revitalized so that it contributes to the success of the cotton sector in the region?

BALLA DIONG : With limited resources in all countries, research programmes on cotton are steered towards four sectors: (1) genetic engineering and variety improvement, (2) agronomy and pest control technologies, (3) entomology and crop protection and (4) agro-socio economics. Some countries appear to have a greater comparative advantage than others. Genetic engineering and variety improvement seem better adapted to Togo which provides the best strains in the sub-region. Burkina Faso has specialised in transgenic seeds.

Entomological research is much more advanced in Benin which has one of the highest performing laboratories in the sub-region.

However, pedagogical research for better management of soil fertility seems to be lagging behind. Also, nowhere does soil typology exist

which can ensure that farming techniques are adapted to soil specificities, neither is there a sub-regional genetic bank guaranteeing the sustainability of strains. In order to allow research to fully play its role, the Commission, through the implementation plan of the Agenda will assist in:

- Developing and implementing regional cotton research/technology development programmes;
 - Creating an inventory of research centres by comparative advantage with a view to creating standards of excellence;
 - Facilitating transfer of competence between research centres for variety improvement, pest and disease control, and agronomy;
 - Building exchange capacities of agricultural research organizations and facilitating a resource mutualisation plan as well as the sharing of scientific and technical information (for example, providing technical information to laboratories);
 - Strengthening partnerships within the research, popularization and producer organizations (as a blueprint for research-popularisation).
- The AfDB cotton-textile support project for the C-4 countries will concurrently finance the building of a network of institutes for research in agronomy, entomology and selection, as well as establish standards of excellence in these areas.

GLOCAL : There are currently some options which would allow the region to propose different types of cotton: organic cotton, equitable cotton, transgenic cotton. How does the WAEMU approach include and encourage diversity in the cotton supply in



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the region?

What are the regional regulatory frameworks to be developed for the preservation of this diversity of supply (non-contamination of organic cotton by Bt cotton...)?

BALLA DIONG : Diversity of production is a niche which is yet to be developed and which by the way, is included in the development programme of the priority sectors listed in the WAEMU Agricultural Policy (PAU). As such, the production of organic cotton and equitable cotton, which have higher prices than traditional cotton, is encouraged.

Transgenic cotton is stagnating in several member States of the Union except Burkina Faso, despite its low production costs.

GLOCAL : *How do we boost competition in the sector and build infrastructure (energy, roads, ports, etc.) which would thereafter encourage international textile businesses to come and invest in Africa (as was the case in Ethiopia, Lesotho...)?*

BALLA DIONG : Internal and external factors are required to create an environment that is conducive to both development and competition in the sector, and they must be well understood. These factors include long term financing, cost control and the quality of factors influencing production, a secure and reassuring legal and judicial framework for investors, etc. If we want to unlock the full development potential of this cotton-textile sector and hope to achieve a rate of 25% in the processing of cotton fibre, more than 95% of which is currently exported, it is important to create a specific environment which is attractive to international textile businesses so as to encourage them to come and invest in WAEMU.

This can be achieved through case studies (for example, Alok Industries of India is settling up a branch in Burkina Faso) and exchange trips are taking place in Ethiopia and Lesotho to identify what gives these countries the edge so as to understand the requirements of investors and consequently formulate a policy in that respect.

The supply of energy and the building of roads, ports and other infrastructure remain the responsibility of the States, which are currently in

the process of building them.

If we want to unlock the full development potential of this cotton-textile sector and hope to achieve a rate of 25% in the processing of cotton fibre, more than 95% of which is currently exported, it is important to create a specific environment which is attractive to international textile businesses so as to encourage them to come and invest in WAEMU.

GLOCAL : *In relation to the CFA and the cost of inputs purchased in Euros and competitiveness of cotton in the zone; how can one get out of this rut?*

BALLA DIONG : As a

result of the rising cost of the cotton inputs, the technical methodology has not been fully implemented, thus leading to a steady drop in yields. The following solutions are proposed:

- Develop a reliable regional cotton input supply chain (identification of needs, invitation to tender, quality control, purchasing system) and a distribution mechanism, in a mutualisation sense;
- Carry out a feasibility study for the creation of production units backed by private investment in order to ensure the supply of fertilisers which are of WAEMU origin;
- Formulate an action plan for the promotion of organic fertilisers;
- Build the capacities of (village) cotton farmers' associations for input management and access to credit;
- Implement the Abuja Declaration on Fertilizers in the area of taxation and subsidies on fertilisers;
- Reduce import taxes on other inputs in the sub-region.

GLOCAL : *What do you think about the prospects of developing the production of nitrogen fertilizers from Nigerian gas?*

The proclaimed ambition of the WAEMU is justified considering the expected direct and indirect impact it would have in terms of increased revenue and job creation likely to contribute to meeting one of the major millennium development goals, which is poverty reduction.

How viable is such a project? What are the advantages/shortcomings and the uses of such a project?

BALLA DIONG : This project is an extension of the study that recommended fertilisers of a WAEMU ori-

gin should benefit from phosphate deposits in Niger, Togo and other countries.

If these projects mature and are able to successfully supply fertilisers which are cheaper than non-WAEMU and ECOWAS fertilisers, then, we will have limited, even erased the Euro-dependence with regard to the importation of fertilisers.

The viability of this project is assured as it concerns a market with considerable needs. It will need also support from public authorities in order to supply at the regional level.

GLOCAL : *How can creativity be supported and African trade-marks and fashion developed? What would be the role of a regional organization like WAEMU in this regard?*

BALLA DIONG : A regional organisation like the WAEMU can act on different levels:

- Support WAEMU member States in the measures which taken to protect the local creations;
- Create a framework for sharing and partnership between textile industrialists, ready-made clothing manufacturers and regional designers which would facilitate the vertical integration of the value chain in the sub-region;
- Protect designers against piracy through checks upon entrance.

GLOCAL : *What do you think about creating a "West African Cotton" label guaranteeing the quality of cotton and a sustainable approach to producing this cotton?*

BALLA DIONG : Cotton sold under the label "West African Cotton" will logically be more expensive than conventional cotton. It requires specific production measures in order to arrive at a superior quality which is established through traceability accompanied by transparency vis-à-vis clients.

It requires a communication system which will place the demands of the client before those of a producer who is taking the demands of his customers into consideration.

GLOCAL : *The birth of an African textile industry will require protection against external competition. Would it be useful to provide the WAEMU with "a separate body in charge of trade defence within the WAEMU Commission", as well as an arsenal of trade protection measures?*

BALLA DIONG : The WAEMU has community laws on dumping, competition, etc. which, if enforced by all States, would be the first step in protecting the textile industry in particular. Also, all the WAEMU member States are TRIPS signatories but do not have the human and financial resources to implement them properly.

GLOCAL : *Do you think it is necessary to introduce a law which safeguards measures to protect the budding textile industry in a regional development strategy?*

BALLA DIONG : Considering what is happening today particularly, with textiles manufactured in Asian countries, reproductions of local designs, fraudulent importation of textiles in the form of second-hand clothing, it would be imperative, in the launching period of this budding industry, to introduce a protective law so that young enterprises can prove their competitiveness in the domestic and sub-regional markets. In our opinion, it is relevant to adopt safeguard measures to protect the budding, even, embryonic textile industry.

GLOCAL : *Any final words?*

BALLA DIONG : I would like to encourage all partners working in this sector to register on the PMO of the updated Cotton Agenda and pool their efforts with those of our States and the Commission so as to further promote quality cotton fibre in our regions. The proclaimed ambition of the WAEMU is justified considering the expected direct and indirect impact it would have in terms of increased revenue and job creation likely to contribute to meeting one of the major millennium development goals, which is poverty reduction. ■

NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

BALLA DIONG

What role do trade defence measures have in the promotion of a cotton processing industry in West Africa?

By **OUSSENI ILLY**

Doctor in International Economic Law, Global Leaders Fellow - Universities of Oxford and Princeton

“For the cotton sector to survive it is imperative to start processing cotton.”¹

Introduction

It is simplistic to assert that African cotton – notably West African cotton – is in the doldrums. The structural moroseness of world prices² due, inter alia, to the unfair practices of some developed countries in the world market – export subsidies – have indeed sapped the enthusiasm of African producers who were previously excelling in the area. After reaching its peak in 2005³, cotton production in the West African region plummeted and has been struggling to bounce back ever since.

The debate on revamping the sector as well as the strategies proposed to turn it around have given rise to many comments from experts and has brought together political decision-makers but until now, the tunnel’s end is nowhere in sight.

However, everyone agrees that the low rate – or lack – of on-the-spot processing of cotton is the Gordian knot hanging over the cotton sector in West Africa. In fact, barely 2% of total production is processed locally while the remainder is bound for the world market. Although efforts were made post-independence to set up processing units in various countries, most of them did not withstand the test of time and everyone watched helplessly as small West African textile industries gradually folded up. From roughly forty industries found in the WAEMU zone in the 1980s, only about twenty were still operational in 2006. Many reasons account for this disaster but the accusing finger increasingly points at the massive imports of textile products from Asia – and to a certain extent, to the second-hand clothes from developed countries – as the immediate causes of the sudden death of the West African textile industry.

How then can this industry be turned around in a regional market estimated to exceed 700 billion CFA when from this amount, only 25% of cotton production from on-the-spot processing generates 50,000 direct jobs? That is the question which has been confounding WAEMU officials. After throwing all its weight behind the C4 initiative against subsidies for developed countries under the WTO, the Union adopted a strategic plan to boost the cotton sector in 2003 and one of its central objectives was to locally process cotton.⁴ However, the question is how a viable West African textile industry can be established (or re-established) within a context of massive low-cost imports – not to mention the issues of fraud and imitation products from Asia and developed countries. Without an appropriate

solution to this problem, any attempts to revive the sector may prove futile.

This brainstorming session with a non-expert in textile seeks to offer a modest contribution to the debate on re-energizing the cotton sector in WAEMU by promoting local processing and supporting the local industry in particular. This is where the future of African cotton lies. After an overview of the textile industry in this region, we will look at the types of support this industry can receive in order to check the invasion of Asian products and second-hand clothes.

A gloomy textile industry

After independence in the 1960s, young African States viewed industrialization as a logical means to develop and free themselves from the yoke of colonialism. Accordingly, in most newly independent States, planned strategies were devised to develop local industries, in order to among other things, ultimately replace previously imported products. These strategies, known as “import supplanting” policies did not produce the expected outcome and there are several reasons which accounting for this. In most countries, government efforts were hindered by high transport and energy costs, narrow markets as well as the lack of qualifications and technologies⁵. Moreover, in the 1980s, the debt crisis compelled many African governments to embrace the Structural Adjustment Programs (SAP) of the World Bank and the International Monetary Fund, which led to the drastic reduction of the State’s economic role and the privatization of State-owned companies. Although many of these companies were indeed poorly managed, they accounted for most of the industrial production and generated jobs. Their hurried and premature privatization at a time when the African private sector was still fledgling, dealt a serious blow to the continent’s industrialization process. Finally, trade liberalization, one of the SAP components, dramatically opened up African markets, flooding them with cheap imported products and hastening the already weakened and fledgling African industries towards the abyss.

Although the first industrial units were established in West Africa, from the 1950s, it was



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during the 1965-1985 period that the textile industry was developed courtesy of the voluntarism policies carried out by States. This so-called “vintage” period, was however followed by difficult years marked by crisis in state-owned companies, structural adjustment, the CFA franc devaluation, fraudulent practices and imitation goods, as well as massive imports of Asian textile and second-hand clothes. This situation triggered a process of deindustrialization in the region, for example, if there were 41 textile industrial units within the WAEMU in 1980, there were approximately only 20 in 2006.⁶

The Ivory Coast example alone is enough to illustrate this West African textile industry disaster. Although the former leaders in the WAEMU zone had 12 industrial units and in-spitereaching a 20% processing rate of national cotton lint production in the 1990s, the

¹ Declaration of the Malian President Amadou Toumani Toure during the inauguration of the new spinning mill in Fitina, Mali on 21 February 2004

² The world cotton market is characterized by price instability with a long-term general downward trend. Between 1995 and 2001 for example, cotton lost nearly 70% of its value (see Cotton Sector Initiative, WTO document, TN/AG/GEN/4, 16 May 2003). Although there has been a rise (if not a surge) since 2010, it would be naive to rejoice for this increase is mainly due to vagaries of weather (floods in China, and Pakistan, drought in Brazil).

³ During the 2004-2005 season, cotton producers in Mali, Burkina Faso, Benin, Cote d'Ivoire, Senegal and Chad produced a total of 1.1 million tons of cotton lint. This production stood at only 500 000 tons the previous year. Cf. <http://www.afriqueavenir.org/2010/12/08/1%E2%80%99envolee-des-cours-du-coton-profite-aux-agriculteurs-africains/>

⁴ Final Declaration of the Regional Consultative Ministerial Meeting on the Cotton Sector in WAEMU/CEMAC, WAEMU, 18 June 2003

⁵ G. MUTUME, « L'Afrique s'efforce de redynamiser ses industries », *Afrique Renouveau*, vol. 8, n° 3, October 2004, p. 4.

⁶ Atlas de l'intégration régionale en Afrique de l'Ouest, Série économie, CEDEAO-CSAO/OCDE, aout 2006, p. 17.

Ivorian textile industry today, has become a shadow of its former self. More than two thirds of factories are at a standstill and the rest are working well below their production capacity.⁷ Before the crisis, the processing rate dropped to 5% but today, it barely accounts for 2% of national cotton production.⁸

The situation is hardly any better in Senegal. Of the 12 factories in the country, 4 are at a standstill and the others are just ticking over.⁹ With the liquidation of the FASO FANI in 2000, Burkina Faso lost the only loincloth production unit it had. All in all, no WAEMU country was immune to this crisis and the few remaining industries might still wind up their production unless urgent measures are taken to save them.

In Nigeria, professionals of the sector are also unsettled. Although there were about a hundred factories functioning in 1999, according to sources, there are now only about twenty to forty today. However, the situation is somewhat different between the English-speaking countries and the French-speaking countries, where in the case of the latter, more than 90% of the cotton was exported as fibre. During the periods of 1993/94 - 2003/04 for example, 90% and 65% of Nigerian and Ghanaian cotton respectively was consumed by the local industrial base.¹⁰ Once States within the region finally understood that local processing was the only lasting solution for their cotton sector rather than a hypothetical cotton world price which was completely out of their control, a major campaign was launched to rehabilitate the West African textile industry. As regards combating WTO subsidies, we know the outcome and with the standoff in the Doha Round of negotiations, the chances of success are increasingly remote. As the Malian President aptly put it, combating developed countries subsidies is a noble cause, but it is worthwhile for Africans to work on the emergence of a real cotton processing industry in Africa.

Based on this observation, WAEMU Member States undertook in 2003, efforts to rebuild and strengthen the local textile industry by adopting a strategic development plans for the cotton textile sector. In addition, a goal was set to increase regional production by 25% by 2010.¹¹

Although a general report on this undertaking is not available at the moment, it should be acknowledged that the results achieved are far from satisfactory. During a recent meeting held in Ouagadougou (11-12 November 2010), the Commissioner for the department of Company, Telecommunications and Energy Development of the WAEMU acknowledged that the results obtained from implementing the plan were well "below expectations". However, we have observed that textile factories have been established here and there. In Mali, the Fitina textile industry became operational in 2004 while the Mali Textile Industry (Itéma) re-opened for business in 2005 after closing its doors for more

than ten years. In Burkina Faso, the Alok factory, the result of an Indian collaboration, was recently set up in Bobo Dioulasso, taking the number of textile industries in this country to two. Other initiatives have been applied in other WAEMU countries. The trouble is that these efforts may become futile unless appropriate measures are taken to guarantee the sustainability of current or future industrial units. In a global context characterized by cutthroat competition, will the new African factories have the mettle to face up to the «invasion» of Asian products, which, among others, caused the collapse of the first factories? As one top executive of the Malian textile industry pointed out, "the greatest danger to the Malian industry is to open up the domestic market wide to foreign products." He added, "Although we face problems of inaccessibility and high electric-



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ity costs, we would have been out of the woods if we were slightly protected against the inundation of foreign products".¹² It is therefore imperative to consider effective the protection policies for the new West African textile industries which are developing. To this end, new legal instruments have been drawn up and it is high time the WAEMU took ownership of them.

Trade defence as a way of shoring up revival

Trade defence instruments are old tools which all States have used in the past to protect their national industries (especially burgeoning industries) against unfair competition from other countries or against the influx of foreign products which threaten to ruin them. These are temporary measures which enable industries in distress to adjust or

consolidate newly established strategies. Some neoclassical economists have tried in vain to describe them as protectionist measures without any economic justification but the fact is that they were invented in the North which uses them more than any other region today.

Among these instruments, there are anti-dumping measures, compensatory measures (or anti-subsidies) and safeguard measures. For a long time now, the need for these instruments was not felt in Africa due in particular, to the high custom duties which already protected the local industry. That does not seem to be the case today with the unbridled opening up of borders.

Canada was the first country to adopt a national anti-dumping law in 1904. Faced with stiff competition from the American steel industry whose producers were accused of trying to destroy the Canadian industry with prices deemed very low, the Canadian government adopted a law which increased duties on any foreign steel product sold on the Canadian market at a price below its «normal value». The aim of the law was to re-establish competitiveness between Canadian steel and imported steel – American steel in this case – in order to ensure the survival of the local industry. The Canadian law was soon copied by many countries struggling to build their national industry. South Africa is one of such countries and practically the only African country to use them. Its anti-dumping law dates back to 1914.

Today, anti-dumping measures are authorized within the WTO through the Agreement on the implementation of Article VI of the 1994 GATT – better known as the Anti-dumping Agreement). Although the implementation regulation of this Agreement exists to date within the WAEMU (Rule No 09/2003/CM/UEMOA of 23 May 2003), no anti-dumping measure has been adopted by this organization. Yet Chinese exports to Africa are heavily suspected of dumping and are usually subject to these measures in other countries and regions of the world.

Anti-subsidies measures which help to neutralize the competitive advantage granted to foreign producers through export support programs of their governments (subsidies) are the second trade defence instrument commonly used in trade relations between States. The United States was the first country to come up with them during the early stages of their industrialization. Alexander Hamilton, the first Treasury Secretary of independent America declared in 1791 that the greatest danger to the fledgling American industries was export subsidies granted by Eu-

⁷ *Etude de faisabilité de la relance du secteur textile en Côte d'Ivoire*, Centre d'analyse socio-économique pour le développement de l'Afrique (CASE-DAFRIQUE), 2010, p. 4

⁸ *Idem*

⁹ M. L. DIATTA, « Le textile ouest-africain en crise », in *Les Afriques du 12 décembre 2007*. Voir également *Atlas de l'intégration régionale en Afrique de l'Ouest* précité.

¹⁰ *Atlas de l'intégration régionale en Afrique de l'Ouest*, p. 17.

¹¹ See the *Final Declaration of the Regional Consultation Ministerial Meeting on Cotton in WAEMU/CEMAC*, WAEMU, 18 June 2003.

¹² Propos cités dans *Panos Infos* (<http://www.panos-ao.org/ipao/spip.php?article3570>).

ropean States (notably England).¹³ In 1897, the first formal American anti-subsidy law was drawn up to defend the interests of the American industry.

Today, anti-subsidy measures are authorized within the WTO under the Subsidy Agreement and compensatory measures containing as regards anti-dumping measures, additional custom duties equivalent to the subsidy received by the foreign exporter. In relation to the WAEMU, to date, it does not have any anti-subsidy community codes. However, it is very complicated to implement this instrument as you need to prove that foreign exporters – especially the Chinese – are receiving subsidies from their government.

The third instrument, made up of safeguard measures, is one which the WAEMU countries should accord greater attention. As opposed to the first two which require the display either of a price lower than the normal value (dumping) or the existence of a subsidy, while safeguard measures only requires proof of a «massive increase» in imports which puts the existing local industry in danger and prevents some from being establishing. Although there are no statistics to show the percentage increases in Asian and Chinese textiles subsequent to the liberalization of African markets, common sense and simple observation are sufficient to assert that conditions for implementing safeguard measures have been met. Furthermore, it is no secret that these imports and second-hand clothes led to the destruction of the local textile industry and helped to deter any investment in the sector.

As paradoxical as this may seem, the WAEMU's Council have been seeking ways to protect community textile producers (see *Final Declaration of the Regional Ministerial Consultation Meeting in WAEMU/CEMAC* mentioned above), but does not have any safeguard laws. It is high time that this law was adopted and efforts put in place to ensure that it does not remain a dead letter (as it is the case with the antidumping law).

It should also be noted that there is no organ as yet which is responsible for trade defence within the WAEMU Commission (as is the case in other communities such as the European Union or the Southern Africa Customs Union: SACU). This role is played by the Competition Department which is neither the appropriate organ (trade defence transcends competition and includes industrial policy) nor does it have the necessary skills to manage defence instruments.

¹³ A. Hamilton, "Report of the Secretary of Treasury on the Subject of Manufacturers, 1791", cité dans J. F. Beseler and A. N. Williams, *Antidumping and Anti-subsidy Law: The European Community* (London: Sweet and Maxwell, 1986), p. 3.

¹⁴ Erik S. Reinert, *How rich countries got rich and why poor countries stay poor* (London: Constable), 2010, p. 25; see also, Ha-Joon Chang, *Kicking away the ladder: development strategy in historical perspective* (London: Anthem), 2002, p. 5.

Conclusion

To build or rebuild the West African textile industry is a mammoth challenge. For some people it is almost a pipe dream. It is not uncommon to often hear the following comments: «Africa has missed its industrial revolution and should instead cash in on the price increases of raw materials (still true?) and cheap Asian imports instead of embarking on a hopeless industrial process». These arguments are buttressed by the pretext that the policy to replace imports in the 1960s and 1970s ran aground and the continent has very few capabilities to develop an industry (lack of infrastructure, unskilled labour, high energy costs, etc). At the same time, the issue of

Yet we forget that in the history of economic development, there has never been a single nation which tackled underdevelopment and misery by merely exporting raw materials and importing finished products.



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poverty alleviation could not have been less fashionable. Yet we forget that in the history of economic development, there has never been a single nation which tackled underdevelopment and misery by merely exporting raw materials and importing finished products. We cannot dwell on such arguments if we know the pivotal and indispensable role of industry in developing a country.

If the Americans listened to the advice of Adam Smith, the spiritual father of neo-liberalism and revered economist of the 18th Century, they would still be a poor, agricultural nation today. Shortly after gaining their independence from England in 1776, the Americans tried to lay the groundwork for the industrialization of their country by using mainly protectionist measures. Smith considered this as a big mistake (from the economic standpoint). According to him, the United States had to focus their efforts on agriculture production as they had "comparative advantages" when compared to other countries, especially those in Europe.¹⁴ A century on, having persisted with their choice, the United States became the leading economic and industrial power in the world, lifting millions of people out of poverty. According to most an-

alysts, the American industry would never have become what it is today without the protection they enjoyed from the outset (and still enjoy today; according to WTO statistics, the United States is one of the greatest users of trade defence measures).

Africans should draw lessons from this. However, the context has changed and a lot of tact and "intelligence" is now needed. While it was possible to adopt all kinds of protectionist measures in 1776, it is somewhat more difficult today as a result of the various free trade treaties which countries have signed. It is therefore necessary to make the most - as far as possible - of the "loopholes" in the defence instruments (authorized by the different treaties) in order to protect this industry. That is the only way it will grow and carve out its own niche in the domestic and regional markets and later, in the international market. In a century which has been marked by a widespread opening of markets and globalization pressures, any industrial policy which fails to incorporate this strategy is doomed to failure.

Although the introduction of "protectionist" measures might increase the costs of textile products in the region and this might not go down well with some importers, one must choose between the short-term interests of consumers and importers and the long-term development interests of the continent, which undoubtedly lies in industrialization. It is up to Africa to embark on industrialization and develop or conversely, continue "surviving" and thus remain the laboratory of «new ideas» on development

fashioned by everyone and as such, continue exporting its raw materials while benefitting «quietly» from «cheap» imports from abroad. To conclude, nobody can be so naive as to believe that protection alone will save and boost the West African textile industry. Lack of competitiveness, which is real and linked, inter alia, to energy costs, as well as a lack of investment in vocational training, development research, innovation and ruthlessly combatting fraud and imitation goods are some of the many elements to consider in the plan to reinvigorate the West African textile industry. Without these factors, including trade defence, which is temporary by nature, efforts in this regard could become meaningless. ■

OUSSENI ILLY



NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

Agricultural Risk Management Support: Examples of Mechanisms That Mitigate the Volatility of Cotton Prices in Burkina Faso

By **José TISSIER**, **Anne LEGILE**, **Philippe DIERICKX** - Engineers - AFD

Agricultural production is a naturally risky activity and farmers are therefore very cautious in their decision-making as regards the tools likely to best protect their revenue both at the technical and economic levels.

The spectacular development of cotton production in West Africa drew its strength from this rationale by creating an enabling environment which guarantees the supply of inputs on a credit basis and the commercialisation of all the produce at a price fixed at the beginning of the farming season.

For several years, this system of announcing the purchase price early to producers, backed by a support fund, has proven its ability to manage the fluctuations in the world prices. However with the increasingly speculative trend, the market has become increasingly unstable. Today, sharp price fluctuations seem to be a structural characteristic of agricultural markets, therefore this makes it indispensable to resort to volatility reduction mechanisms in order to support and develop the sector.

A Mechanism Based on Risk-Sharing

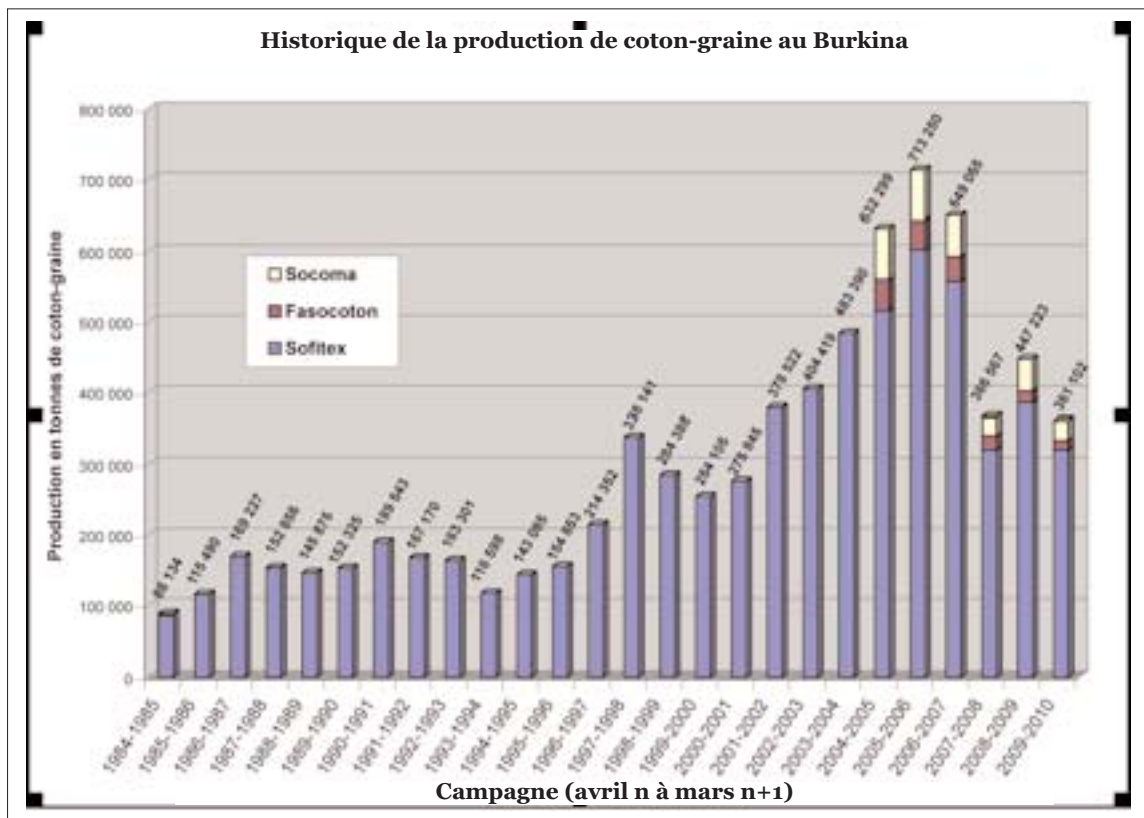
In 2004, the AFD took the initiative of organising country-wide consultations with its European and African partners. Detailed surveys resulted in the elaboration of outlines aimed at limiting excessively harsh producer price fluctuations without necessarily opposing the tight market trends.

This mechanism takes into consideration the benefits of the previous support funds but at the same time, it makes important improvements. On the one hand, the mechanism fixing the price announced to producers at the beginning of the season that it would no

longer rely on negotiations carried out each year between producers and cotton companies. Prices are henceforth subject to the evolution of world prices. They are determined each year through a mathematical formula which facilitates calculations of estimates of what has been called a trend line price. This price is the average of the prices recorded the previous two years and the projected price of the current year and there are price predictions for the next two years. Once established, the trend line price of the fibre can be calculated by any external observer, through

at the beginning of the farming season. The compiling of principles, parameters and the formulae calculation in a document on the regulation of the smoothening fund gives it a predictable aspect, practically automatic for funding and drawing operations. The funds are lodged in a financial institution selected by public call to tender and managed by the latter.

But the smoothening fund may be completed or reinforced by soliciting market-based instruments, in this case, by-products. The acquisition of a sales option by the cotton



public data on international cotton prices (Cotlook A Index) and the exchange rate. Price-sharing between the cotton companies and the cotton producers is established in such a way as to ensure 60% of the FOB¹ price to producers and 40% to the cotton companies; both parties are thereby directly incited to improve their productivity given that they will become the direct beneficiaries.

A final 5% security margin is deducted before announcing the basic producer price

companies, for instance enables it if the market is receptive², to be assured of the sale of a fixed quantity of cotton fibre at a given moment and at the price agreed in that option. Contrary to forward buying (future) where the commitment is firm, the purchaser may (hence the name option) decide to sell at the agreed price or cancel³ the sale option... The

¹ FOB: Free On Board;

² If a speculator is ready to counteract the bid of the cotton company which fears a drop in prices;

³ In a case where the market price is higher than the price agreed upon in the sale option;

| | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
|--|-------|---------|---------|---------|---------|----------------|
| Production (t fibre) | | 277 440 | 149 444 | 190 295 | 153 510 | <i>189 000</i> |
| Basic producer price CFA/kg | | 165 | 145 | 165 | 160 | <i>172+10</i> |
| Equivalent selling price CFA/kg | | 154 | 162 | 157 | 167 | <i>na</i> |
| Supplement price CFA/kg | | 0 | 13 | 0 | 7 | <i>na</i> |
| Impact on funds MMCFAF | | -8,9 | 2,8 | -3,8 | 0 | <i>9,4</i> |
| Situation of funds MMCFAF | 11,81 | 2,80 | 5,60 | 1,90 | 1,90 | <i>11,34</i> |

2010-11 estimates are in italics.

cotton company may thereafter be almost completely sure to cover its production cost given that it is certain in every instance to realise an amount corresponding to the difference between the selling price mentioned in the sale option and the purchase price of the sale option.

Finally, whatever the tools used, the international community recognises that certain events are external shocks to the countries or industries which may finally lead to the collapse of the sector. Neither of these stakeholders through their inter-annual smoothening tools, nor the market through its by-products, can withstand this situation. Confronted by what is commonly referred to as the market collapse, the State is therefore faced with the following options; it could either refuse to react and assume the risk of the collapse of the sector (with related societal as well as economic and fiscal consequences, which can be more or less drastic depending on the importance of the sector within the nation's economy) or intervene. The availability of a smoothening fund enables them do so in a preventive manner, considering that as soon as the trend line price is set, it is possible to determine whether the announcement of a very low production price may discourage producers and lead to a sharp discontinuance of cotton production.

Setting Up An Innovative Mechanism In Burkina Faso

The stabilisation of the institutional landscape following the liberalisation/ privatisation processes and the greater involvement of players in the governance of the sector show how Burkina Faso became the first country (and the only one so far) to have set up a smoothening fund mechanism aimed at dealing with the "controllable risk" taken by the players.

In early March 2008, the Inter-professional Cotton Association of Burkina Faso officially validated the administrative rules of the smoothening fund and the agreed institutional set-up (for example, the creation of an association specially dedicated to the management of the smoothening funds and the hiring of a depository bank and controller of funds: the Bank of Africa (BOA)).

The AFD was the only donor to have replenished the smoothening fund, thanks to a very concessional and sovereign loan of 15 million euros and a subsidy of 3 million euros, dis-

bursed in late 2008 in favour of the Smoothening Fund Association. The initial grant of funds is however lower than the optimal projections defined in the feasibility studies (60 CFAF per kilo of cotton fibre produced in the country).

A Mechanism That Has Met Its Objectives

The mechanism was implemented with a retroactive effect during the first farming season post-2006/07 and the players respected the rules. The system functioned within the set scenarios (i.e., in neutral situations, cases where the referential price stood above the ceiling price leading to the payment of a supplement to the producer price as well as the contradictory situations where companies acquired a drawing right.

Projections for the current farming season are very positive. The smoothening fund should reach its highest level by the end of the 2010/11 season. A very significant amount will remain available for the distribution at a very consistent supplementary price to producers.

A Regional Level To Attain And Partners To Mobilise

The whole integrated risk price management mechanism is yet to be fully developed in Burkina Faso but it has already borne fruit. The Burkinabe sector stands out as the only one that was able to maintain a production level beyond 300,000 tons of cotton during the crisis.

In the current year, there have been severe fluctuations over a very short period and this exposes certain shortcomings in the system. The 2010-11 producer price, based on an external index (the average of the Cotlook A index during the entire twelve months of the year), it seems incompatible with the selling price of cotton producing companies who practised forward buying at the beginning of the season when prices had not yet reached the current peak.

A survey sponsored by the Inter-professional Association AICB is ongoing to analyse the functioning of the mechanism and propose improvements. It could lead to a review of current rules (modification of price distribution between producers and ginners; integration of the price of the seed and the quality of the fibre, fixing the ceiling price, extension of tunnel boundaries...) This adjustment shall also

better take into consideration the possibility of extraordinary years without necessarily questioning the basic principles of the mechanism. The first conclusions reached were presented to the AICB in early February and this body shall make its decisions prior to the beginning of the 2011-12 farming season.

The regional mechanism, destined if need be to refinance the national smoothening funds which meet the eligibility criteria and which defines the governance of sectors, is however not in place. The smoothening fund in Burkina Faso remains to this day, the only one available.

Several sectors wish to create their own national smoothening tools (Senegal, Cameroon...) and regional players (UEMOA, BOAD) and some of their financial partners (World Bank, ADB, other bilateral partners) are becoming increasingly interested in this issue of integrated price risk management.

The current economic crisis has been characterised by a highly volatile and soaring world cotton prices but concurrently, it seems favourable to the development of new initiatives. ■

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environnement et développement du tiers monde
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Environment and Development Action in the Third World (ENDA-TM) is an international non-profit organisation based in Dakar, Senegal. Founded in 1972, ENDA is an association of autonomous entities co-ordinated by an Executive Secretariat. ENDA's worldwide representation includes:

- twenty-four teams at the Dakar headquarters each working on development and environment themes;
- twenty-one poles in Southern countries: fourteen in Africa, five in South America, two in Asia;
- an European delegation; Japanese representation to follow soon.

Enda collaborates with grassroots groups in search of alternative development models on the basis of the experience, expectations and objectives of marginalised peoples. This mutual commitment translates as:

- presence at all levels of decision-making and action;
- involving intellectuals and professionals in defining and implementing development models for the majority and the least privileged;
- fighting poverty: this is the primary principle behind Enda activities;
- involvement in international debates to render third world positions visible and influential.

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Through its entity Syspro, Enda acts on the mechanisms of international economic governance and carries the voice of Southern civil society in areas where the rules and policies are developed. Its main focus remain both the North-South trade, South-South trade as well as trade negotiations at national, regional, bilateral and multilateral levels.

Enda Syspro, as one the main centers of resources and expertise on trade issues in Africa and the South, has built a huge expertise in terms of research, advocacy, training and policy dialogue which strengthened its capabilities to deal with new emerging debates and allowed the entity to create a critical mass of actors and networks around African issues and international negotiations.

Among its recent accomplishments :

- the training of dozens of parliamentarians in several countries in West Africa on integration and trade agreements;
- the training of FEFA members, which is the West African association of women entrepreneurs and associations of producers on advocacy and trade negotiations skills
- the publication of several studies «Article XXIV of GATT in EPA (2009),» Intra-regional trade in West Africa «(2010),» Analysis the west africa market access offer in CGEM «(2011),» Integration and EPAs in West Africa «(2011),» Relations between China and Africa «(2011);
- several memorandum and position papers on trade negotiations;
- several regional multi-stakeholder dialogues: «The legal and systemic issues in the EPAs, in May 2009, Dakar,» the future of intra-regional trade in West Africa «, February 2010, Abidjan,» Trade and Development in Africa «June 2010, Dakar.
- Several conferences and debates: «The relations between China and Africa,» January 2010 «The relationship Europe-Africa, December 2010, etc..
- Participation in negotiation sessions on EPAs s as the representative of the west African civil society in the Regional Negotiating Committee.

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The Cotton Initiative: Evolutions, Difficulties and Current Status of Debates and Negotiations

Interview with: **PROSPER VOKOUMA** - Ambassador of Burkina Faso in Geneva and C4 Coordinator

GLOCAL : On 30 April 2003, the C4 submitted the Sectoral Initiative in Favour of African Cotton to the Agriculture Committee. Could you remind us of the genesis of the diplomatic defence of African cotton at WTO?

PROSPER VOKOUMA : In late April 2003, the C4 (Benin, Burkina Faso, Mali and Chad) lodged a proposal with the WTO titled "Poverty Reduction: Sectoral Initiative in Favour of Cotton". The four member countries of the Sectoral Initiative in Favour of Cotton asked the United States (USA) and the European Union (EU) to put an end to their cotton trade distorting subsidies. African producer countries demanded compensation for losses incurred.

As you surely know, the United States and the European Union did not react to this first C4 intervention. They were of the opinion that the Cotton Initiative could not be included in the Doha agenda because it was a new file and was not part of the mandate given by the ministers in Doha. But this C4 proposal was massively backed by developing countries.

It is in this framework that His Excellency Blaise COMPAORE, President of Burkina Faso went to Geneva in June 2003 to present the initiative at an important meeting of the General Council of the World Trade Organisation. It is important to recall that this debate occurred on the eve of the ministerial conference in Cancun in 2003.

In his speech, the Burkina Faso president declared in substance "for the first time, African countries are not asking for charity, we are simply asking that WTO members respect the rules of the organisation; rules that they freely adhered to". It was the beginning of the diplomatic and strategic assault to ensure the adoption of the Cotton Initiative as part and parcel of the Doha development agenda.

Naturally, to meet this goal, it was indispensable to have support from the different negotiating groups (Africa, LDC, ACP).

After major diplomatic work and aggressive lobbying with support from the media, these groups decided to make their case of the Sectoral Initiative in Favour of Cotton. This was the first diplomatic victory of the file. During an important meeting of the WTO General Council which held

in August 2003 in Geneva to prepare for the Cancun Ministerial Conference, the Africa group, ACPs and LDCs took turns in supporting the Cotton Initiative.

Developing countries like Brazil, India and China also gave their support. African countries did same in their individual discourses.

It was only following this general support from developing countries and some developed countries that America made a short declaration acknowledging that the issue was important and deserved to be examined.

This was one of the first and most important diplomatic victories of the Cotton Initiative. From that moment on, the Cotton Initiative was incorporated in Doha consultations.

Finally, from September 2003, it was planned that cotton would be included in the official agenda of the Cancun Ministerial Conference. At the same time, consultations and the diplomatic assault continued.

All of these efforts across the board led to the case being included in the Cancun Ministerial Conference agenda, immediately after the opening speech. This was a major milestone victory for the C4, the Africa Group, the LDCs and the ACPs.

During the WTO Ministerial Conference in Cancun, Africa focussed its attention on the cotton case. The flag bearers of West and Central Africa (WCA), that is, the four contending countries, stigmatised the contradictions in cotton production conditions around the world and, beyond that, conditions for the international inclusion of African countries in a liberalized world. Thanks to the arguments put forward demonstrating the disparities in figures and the glaring iniquity, the case of African cotton enjoyed widespread sympathy and support during the Cancun Conference. The main blocking factor was developing countries refusing to debate on Singapore issues concerning competition, investment, facilitating trade and

transparency in procurement. These issues were the main reason for a stalemate between the EU and developing countries. But it is the disagreements on agriculture in general and on cotton in particular which crystallised these divergences during the conference. For the first time, international trade negotiations stalled on an African demand recognised as legitimate by most of the other countries.

GLOCAL : Do you think that this sectoral initiative is a textbook case? What are the main lessons to be drawn? What about the mechanics of negotiations and working together? Has the African and international dynamic in defence of cotton been useful in other negotiations? Did it lead to the creation of bodies, of consultation communication methods, of sub regional diplomatic strategies to defend other raw materials, or of other topics of negotiations?

PROSPER VOKOUMA : Thanks to the solidarity built around this case, we did not give up and were encouraged to continue the fight. To a certain extent, the cotton case could appear as an appetizer for greater battles or battles of another type. On the one hand, several countries known for their liberal positions quickly supported the African countries in their positions, particularly concerning the elimination of African subsidies (the case of

Canada, Australia and Argentina for example, known active members of the "Cairns Group"). (By the way, it is this threat which could explain the EU's reluctance to firmly commit to supporting the cotton case in Cancun, fearing vicious criticisms on the common agricultural policy (CAP) reform process). On the other hand, civil society organisations would take over the cotton case, seeing in it an ideal textbook example to highlight incoherencies between the trade and development cooperation policies of the EU and USA. For several NGOs, cotton was also an ideal communication tool to question the legitimacy of international bodies in charge of regulating trade and economic development.

GLOCAL : The debate around subsidies is complex (their role and impact on the global economy, their protection, ranking and transfer in different departments of the WTO...). Could you summarise the C4 position on this debate?

PROSPER VOKOUMA : The Agreement on agriculture prohibits all support for measures known to distort production and trade.

Concerning cotton, the world market on this product is distorted because developed countries, particularly USA and Europe, give massive subsidies to cotton farmers (on average, 3 billion dollars per year in America and about 900 million Euros in Europe), allowing America and Europe to slash prices and consequently seriously distort competition.

It is in this light that following the Framework Agreement of July 2004, including cotton in negotiations on agriculture with the condition that it would be handled "ambitiously, expeditiously and specifically", confirmed in December 2005 by the Hong Kong Ministerial Declaration, the C4 made proposals on the three pillars of negotiations (market access, domestic support and export competition) in June 2006, notably through a formula to reduce orange box domestic support to cotton (see WTO document under TN/AG/SCC/GEN/4 of 16 June 2006). This formula also specifies concepts and modalities applicable to the blue box, specifically for cotton, the reference period for cotton and its implementation period. "Blue box", "orange box" and "green box" are terms used to designate categories of subsidies which distort trade, ranking them by intensity.

After some progress on market access and export competition, domestic support is and remains the lever on which quick action must be taken to send a strong signal to all least developed cotton producing countries.

GLOCAL : Argentina has reservations on a positive evolution towards reducing subsidies, mentioning the transfer of some blue



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box measures to the green box. Do you agree? In your opinion, what are the measures impacting African cotton that are “subject to tricks”?

PROSPER VOKOUMA : One of the main challenges of the Doha round is to avoid what we call “box shifting”, that is replacing orange measures which are being eliminated with blue or green measures which are still tolerated. This is why negotiating conditions and rules to govern the use of the blue and green box, after the conclusion of the Doha round would be particularly important in a general sense, but for particularly for cotton. The key elements in this context are the base years which should be used to determine the surface areas or quantities on which blue procedures could be applied and the required limits depending on the value of the goods.

GLOCAL : African countries had high hopes in the creation of the Special Commission for Cotton. What is the outcome?

PROSPER VOKOUMA : Following the July 2004 Framework Agreement stipulating that cotton would be treated “ambitiously, expeditiously and specifically”, in the negotiations on agriculture, the Cotton Sub Committee was created on 19 November 2004 and was mandated to focus its work on “all trade distorting policies affecting the sector” in three key areas of agriculture (market access, domestic support and export competition). But this trade component is linked with negotiations on agriculture and there has been no major progress because our partners categorically refuse to effectively delve into negotiations. The Sub-Committee did a remarkable job, but the outcome does not depend on it, because it is the members who negotiate within the Cotton Sub-Committee.

GLOCAL : In the Cotton Sub-Committee situation report of October 2010, it was mentioned that the mandate specifying that the cotton issue should be handled “ambitiously, expeditiously and specifically [...] was far from achieved”. Has this commitment, mentioned in August 2004 in all results of July and in the Hong Kong Ministerial Conference in 2005 ever been respected? If yes, to what extent and for what results?

PROSPER VOKOUMA : The mandate of the Hong Kong Ministerial Conference in December 2005 to handle the cotton issue ambitiously, expeditiously and specifically is far from being achieved. What have we observed so far? The ambition is still proclaimed, but for lack of probing results it is void of all meaning. Expeditiousness is by far the point that could not be achieved because since 2005 little progress has been made on the domestic support pillar. Finally, it appears to be void of meaning as well considering the little interest of some developed countries on the treating of this file that we refuse to see relegated to the last phase of the negotiation.

GLOCAL : In your opinion, how can this mandate be “achieved” in the final phase of the Doha round? What are the main stumbling blocks to be lifted?

PROSPER VOKOUMA : To achieve this mandate, our partners, particularly the United States and the European Union must truly commit to the negotiations by accepting the C4 proposals or at least by making counter-proposals to African cotton producing countries in the same logic as the Hong Kong mandate, and considering the single commitment, the other areas of negotiations should evolve in the same direction.

GLOCAL : What do you think is the impact of Brazil’s “victory” on a positive evolution in the reduction of trade distorting subsidies?

Do you think that with reference to the Brazilian approach, African countries should explore dispute settlement so as to benefit from a situation which gives them stronger negotiating authority and tools against the United States?

Brazil had encouraged African countries to resort to dispute settlement at a time when it was lodging a complaint at the DSB. What is the current state of possible or ongoing co-operation with Brazil in “building” a dispute settlement case?

Brazil, India and Pakistan want to actively engage in a South-South support and co-operation policy with African cotton producing countries. Could you tell us the level of evolution of these projects and the specific sectors targeted as far as Burkina Faso is concerned?

PROSPER VOKOUMA : The USA/Brazil dispute, initiated in 2002 led to the effective condemning of America’s subsidies to its cotton farmers. This decision was confirmed by the WTO Appellate Body in 2005 and

2008. Despite several consultations between the USA and Brazil, they were unable to make progress in finding a solution to the cotton dispute since the USA always refused to embark in effective negotiations, hiding behind the claim that any solution required the approval of Congress which was not ready to amend its system to support cotton. To avoid retaliation and to continue negotiations towards an agreement, the United States proposed the elimination of the GSM-102 export credit guarantees. This was a first and welcome step towards aligning the United States policy with some WTO requirements. A bilateral agreement signed between the two contenders also provides for financial compensation to Brazil, amounting to about 147.3 million dollars per year, to provide technical assistance and build capacities in the cotton sector.

Thus, the final verdict of this “deal” is still pending. The positive point to be noted by African cotton producing countries is that the agreement keeps pressure on the United States which must comply with WTO rules. It has forced the United States to handle at least one issue (the export credit guarantee program) systematically so that, hopefully, there would be total alignment with WTO obligations.

Concerning the idea to resort to dispute settlement, note that at the end of the consultation meeting of C4 trade ministers held on 26 November 2011 in Cotonou (Benin), the ministers asked negotiators in Geneva to review the pertinence of referring the Cotton Initiative to the Dispute Settlement Body of the WTO.

In executing the Ministers’ instructions, a series of activities were organised in early 2011 in Geneva and Brussels: (i) the brainstorming workshop on cotton, organized by the ACP secretariat, on 27 January 2011 in Geneva; (ii) the brainstorming workshop on “dispute settlement: an advantage or shortcoming in negotiations?: the case of Cotton at WTO”, organized by the C-4 on 12 February in Geneva; and (iii) the meeting of Brussels and Geneva-based Representatives of cotton producing African, Pacific and Caribbean (ACP) countries which held on 16 and 17 February 2011 in Brussels (Belgium). A report was drafted following these activities. Developments depend on the decision makers of our countries at the appropriate level.

Concerning South-South co-operation, during the series of meetings for the cotton consultative framework co-operation between African cotton producers and countries like Brazil, India and Pakistan was reviewed.

It is important to mention that under South-South co-operation on cotton, Brazil and India made interesting proposals to the C-4 countries. Brazil’s offer for co-operation translated into the creation of an assistance programme for C4 countries and the organisation of study trips in 2007 for producers, researchers and public administration officials of Benin, Burkina Faso, Mali and Chad; and the organisation of a rotating mission of a team of Brazilian researchers in C4 countries, so as to define with their counterparts, partnership sectors worthy of interest. These partnerships, among others, are being progressively developed.

India made a co-operation offer to the C4 countries in 2007, which started to be concretized with the organisation of a rotating mission of Indian experts in May 2010, with the aim of evaluating the needs for technical assistance and capacity building, technology transfer and development research in C4 countries, in Nigeria, Kenya and Uganda; and to share the experiences of Indian development research centres with their partners in the countries to be visited through intensive training and specialisations.

In Burkina Faso, the Indian delegation had working sessions with the technical services of the public administrative body in charge of cotton, the Burkina Faso cotton inter-trade association [Association Interprofessionnelle du Coton du Burkina (AICB)], cotton research, the Chamber of Commerce and industrial and small-scale textile business persons. Furthermore, just like with Brazil, at bilateral level, the Burkina Faso/India joint committee is also active and co-operation avenues are being developed in various other sectors.

We have also engaged in discussions with Pakistan and with the People’s Republic of China which does not want to be left on the sidelines of this co-operation.

GLOCAL : The EU seems to be the “good student” concerning the coherence between the Hong Kong commitments and actions taken to reduce domestic support measures for cotton (deletion of category orange assistance), efforts to multiply aid, opening up cotton market access, several disbursements and development projects in the cotton sector, etc. Are there subtleties which could mitigate or back this observation?

PROSPER VOKOUMA : One must acknowledge that the European



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Union which, with its reform of 2004, confirmed in 2006 following the demand of the European Union Court of Justice to comply with rules in force, made efforts by decoupling 65% of its cotton subsidies and transferring all other trade distorting subsidies from the orange box to the blue box, considered as less distorting. At the time, we had already applauded this positive move and asked that more efforts be made to arrive at 100% decoupling, and we continue to call for this additional effort.

Added to this reform, the European Union has launched since 2004 a partnership in favour of African cotton through which no less than 15 million Euros are allocated to strengthen the cotton sector.

However, European subsidies are the highest in the world per kilogram of cotton produced, cotton support decoupling rates (65%) is substantially lower than the average decoupling rate on other goods (>90%) thereby contradicting the commitment that the EU made in Hong Kong to continue to do more in the cotton sector than in other sectors of agriculture, considering its importance for the development of poor countries.

African cotton producing countries consider that it is an incomplete reform which does not meet the Hong Kong demands.

GLOCAL : What are the stakes of co-operation and collaboration between African cotton producing countries and China within a wider framework of economic diplomacy?

PROSPER VOKOUMA : I would say that relations are evolving from bilateralism to multilateralism. This important evolution is the result of China's support to inter-African organisation. Since 2003, China has been strengthening its multilateral relations with African regional and sub-regional organisations. Since the first Sino-African summit, China's policy on Africa has been multilateral, considering that it is defined by the African continent as a whole and not by individual States.

China's efforts to strengthen its economy are not limited to petroleum. The economy of the Middle Kingdom needs other goods including cotton. It should be recalled that China is the world's top cotton consumer.

In 2000, Chinese-African relations intensified in terms of the quality of trade. Trade between China and Africa moved up from about 9 billion dollars in 2000 to 40 billion dollars in 2005, and then to 55 billion in 2006. Some analysts estimate that this upward trend would reach over 100 billion dollars in 2011. ,



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GLOCAL : Is USA, through its West African Cotton Improvement Program (WACIP) succeeding in eliminating the prejudice suffered by African cotton producing countries because of the subsidies it gives to its producers? Do you have figures that could be used to evaluate the total amount of WACIP programmes and the types of funding allocated to them (preferential rate loans, gratuitous funding, interesting contracts for American seed dealers and input producers, etc.) as well as estimates of the losses incurred by C4?

PROSPER VOKOUMA : The general objective of the West African Cotton Improvement Program (WACIP) is to reduce poverty and hunger by increasing the revenue of cotton producers and processors. According to some WACIP officials, to resolve the main problems with African cotton, it is important to concentrate on technical aspects like input supply and loans, improvement of ginning techniques, etc.

WACIP cost twenty-eight (28) million US dollars from 2006 to 2010. Note that the programme which ended in 2010 was renewed. We applaud this financial contribution and urge USA to be more generous considering the major difficulties (hikes in input prices, particularly fertilisers, uncertainties in the cotton value chain) that West African cotton is facing. However, while we understand the importance of development aid in favour of cotton, we want to underscore here that we believe the commercial aspect is the perfect solution for our cotton sector, in danger of extinction. Regarding estimates of losses sustained by the C4, it is clear that West and Central African countries in particular sustained and continue to sustain substantial losses because of subsidies to American cotton producers. These losses could worsen if USA does not comply with WTO rules in the short term.

According to World Bank studies, American subsidies alone reduce West African farmers' yearly earnings from cotton exports by more than 250 million dollars. It is possible that losses incurred by African countries from American subsidies exceed the advantages in growth and potentials of Africa that these countries could draw from the law which provides preferential access of African goods to the American market.

GLOCAL : In the case of the EU-ACP/Africa partnership, what have been the impacts of the projects developed since the Cotton Initiative? What are the prospects for the new EU-Africa cotton action framework?

PROSPER VOKOUMA : On the whole, most activities programmed for the cotton component seem to evolve normally, although it is still too soon to evaluate their efficiency and impact. Nevertheless, the excessive delays in the cotton strategy elaboration process for West and Central Africa must be underscored.

For West Africa, the complexity is intensified by the need to start with an updating of the Agenda for the cotton-to-clothing sector adopted by Heads of State and Government in 2003 and an evolution towards a regional strategy shared by all stakeholders.

Faced with the observed delays, the Cotton Steering and Follow-Up Committee asked the Agricultural Commodities Coordination Unit to activate its decentralisation process in West Africa to facilitate work within a framework of mobilising all stakeholders towards formulating and adopting a regional cotton strategy. This document presents the latest update of the implementation of the EU-Africa partnership on cotton which was signed by the EU and African countries in July 2004 (Paris Forum). This partnership resulted in the adoption of a joint action plan which evolved into an action framework. Following a mid-term evaluation of the partnership on June 2009, the action plan was revised and became the Partnership's action framework. The action framework reasserts the relevance of the EU-Africa cotton partnership and the need to continue by adapting it to the current context. The action framework is both a strategic reference document developed around regional cotton strategies and a tool to monitor actions undertaken within the EU-Africa Cotton Partnership. It is a tool to monitor all specific aid to African cotton which is periodically updated on the basis of information obtained from the different donors and inter-trade organisations in the African cotton sector.

GLOCAL : Several agencies carry out cotton related projects in the C4 countries and in Africa in general. Could you tell us how we could have a summary of impact analyses, of evaluations of real profits, the meeting (or not) of the goals of these projects so as to understand how international development aid contributes (or not) in taking the cotton sector out of a crisis?

PROSPER VOKOUMA : The Hong Kong Ministerial Conference of December 2005 reiterated the option taken in July 2004 in Geneva to tackle the cotton issue not only from a commercial standpoint but also through the development aspect.

Paragraph 12 of the Hong Kong Ministerial Declaration defines the framework within which the international development community is required to further intensify its aid specifically on cotton. At the same time, African cotton producers are encouraged to pursue and increase their reform efforts aimed at boosting productivity and efficiency.

Within the framework of implementing these measures through the consultative framework mechanism of the WTO Director General in favour of cotton, development aid in favour of cotton is divided into two categories: cotton-specific development aid and development aid for agriculture and related infrastructure. It is a constant that this aid is heavily influenced by domestic reform measures which have not all always been positive especially under the privatisation process.

It appears that six years after the adoption of these measures, the balance sheet regularly recorded by the Director General is not quite successful. The contributions of development partners on the development aspect of the cotton file, in their current form, seem insufficient. The similarities between projects and programmes designed and funded by bilateral and multilateral donors should be noted as well; this does not ensure a rational use of resources and the true effectiveness of the said projects and programmes. To rectify these situations of inefficiency, and in a bid to better include the specific development needs of the cotton sector in the countries behind the Cotton Initiative (C4), the C4 opted for the inclusion of the necessary relationship between the development component of the cotton file and the Aid For Trade initiative and for the definition of a framework conducive to the formulating of a joint multidimensional and integrated programme to replace the haphazard national projects, and submit to development partners.

GLOCAL : In a strategy of value adding on cotton and greater textile processing in the region, how do you see the connection between preserving trade and diplomatic relations, South-South co-operation and protecting domestic or regional processing or consumption?

PROSPER VOKOUMA : In a strategy of adding value to cotton and increased processing of the fibre, national or regional cotton strategies should be made available with an indication of areas of intervention of financiers on cotton. South-South co-operation will have to be developed with a view to a better integration of the cotton value chain, including increased processing on a regional scale; the capacities of African cotton producing countries would have to be built as well, and competitiveness boosted through, inter alia, reduced production costs, training and research.

It is in this framework that since 2003, the WAEMU Commission created an agenda for competitiveness in the cotton-to-clothing sector which had as main goal to process 25% of cotton produced by 2010.

This agenda, which did not achieve expected results because of difficulties in its implementation, is currently being revised particularly concerning the strategic and operational goals of the cotton-to-clothing sector including all concerns relating to competitiveness, processing and marketing of cotton.

However, our strong conviction is that the considerable potential of the cotton-to-clothing sector for the economic development of our countries cannot be exploited sustainably as long as the issue of streamlining the functioning of the cotton world market does not become reality.

GLOCAL : Cotton and the consolidation of regional integration – how is cotton an instrument favouring regional integration (political, social, commercial, cultural)? How could it play an even greater role?

PROSPER VOKOUMA : More than 15 million persons live directly or indirectly from cotton farming in West and Central Africa where this product is the main source of income. (i) It first allows them to improve their material living conditions, because revenues cotton sales contribute in meeting a good number of day-to-day needs. (ii) It also provides access to education and health care through farmers' contribution to the building of schools and community health centres for example. (iii) Finally, other crops benefit from cotton farming in terms of fertilizers, know-how, mechanisation and loans.

The important role played by cotton corporations in opening up trade and social policies should be added to the points above, because to better ensure the transportation of cotton, these corporations contribute in constructing and repairing roads and feeder roads at both national and regional levels.

Opening up the region has a multiplier effect as it connects production areas with marketing areas.

GLOCAL : The current low cotton processing levels in the entire sub-region is an issue at the crossroads of several others (energy strategy, financing, transport infrastructure, etc.). How do you perceive an evolution in this sector in Burkina Faso and the sub-region, in what order of priority? What are the stumbling blocks that the highest State political authorities could contribute in lifting?

PROSPER VOKOUMA : It is an ongoing debate at the WAEMU Commission. This debate naturally included securing the revenues of cotton producers, attracting private investment in fibre processing, and involving ginners in fibre processing. So, I will not make any comment on the issue.

GLOCAL : If you had to mention two pitfalls, topics of tension, main truths that are painful to say and hear concerning the current situation of the cotton sector in West and Central Africa, what would they be?

PROSPER VOKOUMA : I don't know if there are truths that are painful to say or hear concerning the current situation of African cotton. But for the production of cotton in African countries to be profitable and become a key economic activity for our socio-economic balance, I believe it is necessary to handle the problems of competition at WTO level, with two main goals: stopping the unacceptable American (even European) subsidies on cotton and maintain a "customs security belt" at the borders of African countries, while waiting for the successful implementation of the sector's strategy and cotton value-adding.

GLOCAL : In the tandem of the people and leaders for Africa's development: is the « need for self-sufficiency » a historical responsibility of our generations?

PROSPER VOKOUMA : This generation should take up its responsibilities towards future generations. Everywhere in the world, it takes time to build modern nations and define development strategies. Africa is not an exception to this rule, but it must effectively own its destiny by actively engaging in a collective project whose construction and implementation is incumbent on political and intellectual leaders as well as all social stakeholders on the continent and beyond.

On this avenue, and to complement efforts made by institutional and non-institutional stakeholders in each country at regional, continental and global level, we should not be content to only make evaluations, but also work towards developing an Africa with its own concept of governance and its own development methodology based on realities of the continent and tackling the challenges of modernity and globalisation. Current generations have the responsibility of bequeathing to future generations: (i) an Africa which found its own way by making the best use of its traditions, reviewed in light of the challenges of the 21st Century, and the best international experience which it freely interprets instead of it being imposed in the form of standards and conditions; (ii) an Africa which has a production and trade system so that it can enjoy the advantages of globalisation, and to define its own rules of the game to preserve its ecosystems, progressively develop its own competences and production system, to conceive its own sustainable development by taking back ownership of its considerable potential; and (iii) an Africa which has renewed its relations and strengthened fair and equitable partnership with the other countries and continents of the world, which has extricated itself from dependence and which makes its voice heard in the concert of nations.

GLOCAL : Using the cotton issue as an illustration, how do you think Africa could progress towards greater (earned) freedom to make its choices and exercise broader capacity to defend them?

PROSPER VOKOUMA : I have already partially answered this question. At the risk of repeating myself, I would say that the cotton case ended up being an emblem of the Doha Round. The issue of agricultural subsidies poses serious threats on the credibility of the WTO. The inability to find an adequate answer to the Cotton Initiative is, to date, one of the paralyzing factors of the Doha Development Programme.

The C4 countries and all African countries undertook not to give up the fight and to keep the pressure on countries which give trade distorting subsidies to their cotton producers. They had to stick together with farmer organisations as well as national and regional non-governmental organisations behind the same cause as has always been the case in the cotton case. This is how Africa can make its voice heard and defend its interests, and this can only be done in solidarity, unity and commitment.

GLOCAL : What have we forgotten to ask you that you believe is crucial to this analysis on African cotton?

PROSPER VOKOUMA : For eight years, we have not stopped showing the distress of African cotton producers to the world. We said and repeated that in our opinion, what is at play at the WTO is the credibility of the multilateral trade system, no more no less, and we should all be attached to it.

With the United States of America, the picture is much bleaker. It is the greatest source of cotton market volume distortion and, worse, despite the WTO ruling against it in a dispute with Brazil, there is no positive sign that it would align its subsidy practices to those authorised by the multilateral trade system. We have high hopes in the Farm Bill reform, planned for 2013 to finally see this great country conform to WTO rules. African cotton farmers are not asking for special treatment, neither are they asking for differentiated treatment; they are simply asking that the rules and principles that WTO members gave to themselves, be implemented.

The increase in cotton prices observed since July 2010 is not reason enough to do nothing, and this increase reflects a structural imbalance between demand and supply. During the 2009/2010 season, ACP countries produced 800 000 tonnes of cotton fibre, that is 3,5% of global productions. Meanwhile some years ago, Burkina Faso and Mali produced more than that amount. In the short term, cotton prices should remain high. But African cotton farmers are not benefitting from these hikes. In the medium and long term, prospects are bleaker and uncertain. On the one hand because the rise in prices would translate, theoretically and mechanically into an increase in the price of textiles and clothing; such increases cannot be borne by the world market on finished textiles and clothing. The consequence would either be an incentive for consumers to reduce their clothing and textile consumption or to transfer this consumption on non-cotton clothing and textile.

In any case, it would impact global cotton consumptions.

More fundamentally, cotton prices and hence, cotton farmers' income in coming months will be a direct function of global cotton production, and consequently of meteorological conditions. If meteorology in the main producing countries is bad, production will be low and prices high, and vice versa.

Finally, allow me to thank you and through your agency, all those who are fighting for our cause. ■

PROSPER VOKOUMA



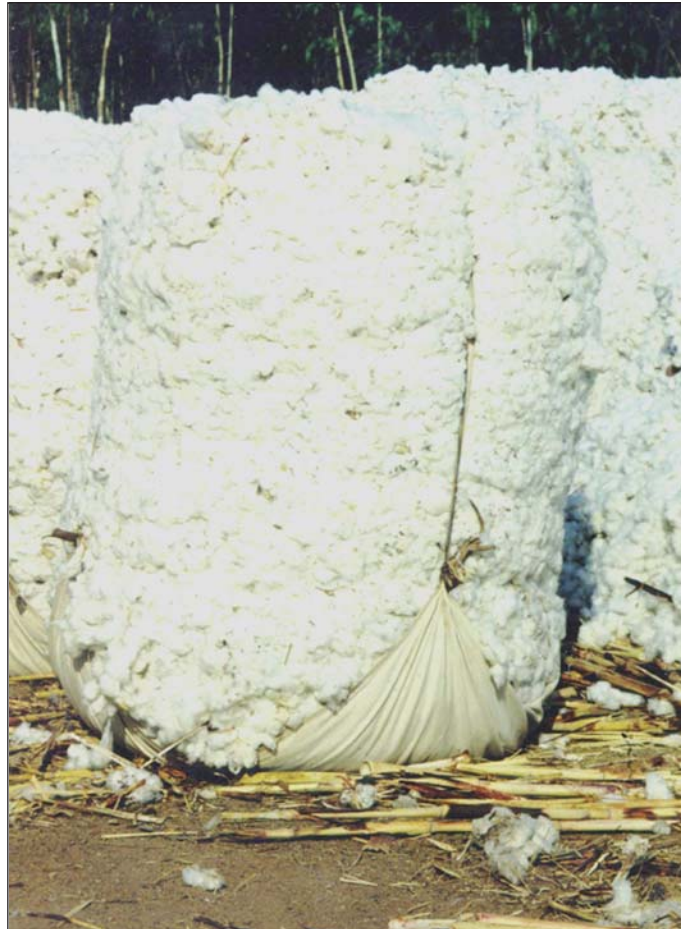
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The WTO Cotton Case: Legal and political victories yet to be consolidated

By **ROMAIN BENICCHIO**, Policy and Media Adviser, Oxfam International, March 2011
 Opinions expressed in this article are personal opinions from the author and not official Oxfam International's Statements

In September 2002, Brazil lodged a complaint at the World Trade Organisation Dispute Settlement Body (DSB) against American cotton subsidies. The issue was quite simple: world prices were at their lowest and USA had become the main player on the cotton market with 40% of global exports in 2003, against 17% in 1998. This success appeared to be more the result of a very generous subsidy system to 25 000 American producers, who received over \$3 billion per year in subsidies, than competition between local producers¹. Brazil argued that these subsidies pulled down world prices by completely isolating American producers from market signals. As a result, the other producers, be they Brazilian, Chinese, Indian or African, were the big losers in this unfair competition. In West Africa, with cotton being the main source of agricultural revenue, involving 10 million producers and having a leading role in local economies, the international cotton market and the impact of American subsidies progressively climbed on the regional policy agenda, following calls from cotton producer organisations. Moreover this sector, facing considerable national challenges including privatising cotton corporations and the chronic lack of investment, was directly threatened by volatile prices and the United States' unfair practices.

The observation was unequivocal: subsidies pulled down world prices and allowed American producers to monopolize the market to the detriment of other producer countries, which include some of the poorest countries on the planet. Hence, the cotton case became a perfect illustration of what is at stake at the WTO: the multilateral trade system should ensure the reviewing of trade rules and practices which favour the wealthier countries and undermine economic development in countries of the south. This is the purport of the Doha round, or at least, it is against this backdrop that the new negotiation round was advocated to developing countries in Doha in 2001. A large majority of these countries were reluctant to embark in new negotiations when they had not yet completely implemented agreements from the previous rounds. However,



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they conceded to it with the promise of “a development round”.

Contrarily to Brazil, West African C4 countries² decided to defend their cause during this negotiation round, through a specific cotton initiative aimed at removing subsidies which impact trade. There several reasons explain this choice: a legal procedure before the WTO DSB requires financial and human resources which only developed or emerging countries can afford, which is why to date, none of the Least Developed Countries (LDCs) has filed a complaint with the DSB. In this case, they considered that the political risk of a head-on attack with the United States was too high. It is particularly interesting to observe that the first sectoral cotton initiative lodged by the C4 countries³ applied a systemic logic: reduced subsidies beyond the USA alone. Finally, the complementarity between the Brazilian and

African initiatives would strengthen their respective demands, and keep the topic on the political and media agenda and result in the elimination of targeted subsidies.

2005 was a key year for these processes. In March, WTO members adopted the report of the Appellate Body⁴. Brazil thus won its long legal battle with the United States. American cotton subsidies were deemed illegal and cause of visible prejudice to Brazil and, by extension, to other producer countries. In the same year, the Ministerial Conference organised in Hong Kong confirmed that the Doha round must address cotton ambitiously, expeditiously and specifically⁵. The belief was that the USA would execute these legal and political decisions, considering that the binding nature of WTO decisions was often celebrated as the principal asset of the multilateral trade system.

6 years later, while the tenth anniversary of the Doha negotiations was being anticipated for the end of the year, the problem of cotton subsidies was still unsolved. The Doha round was dormant and was yet to be finalised, and the calls of G20 leaders to conclude negotiations in 2011 was only adhered to by those who still believed in it. These countries in question did not seem

able to make the necessary compromises and concessions to seal a good deal. Most developing countries, be they emerging or not, are hoping to end with it and conclude this round, more for systemic reasons and to safeguard the system than for the economic value of the package on the table. On the other side of the table, the United States is threatening to undo the progress made since 2001 by continuing to demand even more concessions from the

¹ “Cultivating Poverty: The impact of US cotton subsidies on Africa”, Oxfam briefing Paper, Sept. 2002, http://www.oxfam.org.uk/resources/policy/trade/downloads/bp30_cotton.pdf

² Benin, Burkina Faso, Mali, Chad

³ WTO document : TN/AG/GEN/4, 16 May 2003

⁴ WTO document : WT/DS267/AB/R, March 2005

⁵ Ministerial Declaration adopted on 18 December 2005: http://http://www.wto.org/english/thewto_e/minist_e/mino5_e/final_text_e.htm

major emerging countries with the hope of gaining the imperative support from its Congress.

While in early 2011, a revival of activity in Geneva has been observed, cotton is still essentially absent in ongoing technical debates. Indeed, cotton is one of the topics requiring political arbitration at the highest level and which consequently can only be handled at ministerial level, at best during a possible meeting in July 2011 (considering the calendar adopted in the beginning of the year). If the round is effectively completed, it would be partly evaluated from results obtained on the reduction of cotton subsidies.

The negotiations that African countries opted for have not produced the expected results, despite commitments made in Hong Kong. Also over five years following the DSB decision against American subsidies, these programmes are still in place. The United States used every legal option available to delay the implementation of the decisions of the Appellate Body. This also allowed a renewal of the condemned subsidies programmes with the 2008 Farm Bill⁶, in spite of WTO decisions.

Today, American cotton subsidies programmes are still in place, although some of them are not activated in high-price seasons because of their counter-cyclic nature. But not only did American tax payers have to pay \$2.2 billion in subsidies to "King Cotton" in 2009⁷, they now have to subsidize \$147 million for Brazilian cotton every year.

The long dispute settlement procedure did not succeed in eliminating the disputed programmes, but resulted in the following agreement between Brazil and the United States: The former agreed not to use their right to retaliation measures, in exchange for the latter committing to paying compensation to a Brazilian cotton research institute. This agreement should allow the American administration to work on reforming the subsidies under the next Farm Bill in 2012. In other words, the United States is subsidizing Brazilian producers so that it can continue subsidising its own producers. But the root of the problem persists.

Brazil, for the moment, has given up its initial strategy of cross-retaliation on the services or intellectual property sectors, so that these influential economic sectors which are not quite concerned with agricultural subsidies can put pressure for cotton subsidy reform in the USA. The strategy is attractive on paper but involves trade and diplomatic risks for Brazil. Another element which may have influenced Brazil's strategy is the fact that in the current American political context, such retaliation measures may have a counterproductive impact. American policy makers could perceive such

⁶ "Square pegs in round holes: How the Farm Bill squanders chances for a pro-development trade deal", Oxfam briefing note, July 2008: <http://www.oxfamamerica.org/publications/square-pegs-in-round-holes/?searchterm=farm%20bill>

⁷ EWG farm subsidy database: <http://farm.ewg.org/progdetail.php?fips=00000&progcode=cotton>

⁸ Source: http://www.african-cotton.org/doc/Edition%20Speciale%20de%20Cotton%20Outlook_English-310709.pdf

Quantification of the impact of U.S. cotton subsidies on Western and Central African Countries: A Review of Issues and Analyses - Summary of an analytical study which will be published by 2ACD shortly

By **DANIEL A. SUMNER**, Director, University of California Agricultural Issues Center and **Frank H. Buck, Jr.** Professor, Department of Agricultural and Resource Economics

Cotton subsidies have been a headline issue in international trade policy and negotiations for a decade. In the early days of the WTO Doha Development Agenda negotiations, the C-4 countries of West Africa (Benin, Burkina Faso, Chad and Mali) demanded that U.S. cotton subsidies be eliminated because they depressed the price of cotton on world markets. Since then, WTO negotiations have continued with no resolution of cotton issues. However, in a well-known WTO dispute Brazil showed that U.S. cotton subsidies depress cotton prices and harm the Brazilian cotton industry. Even after losing the case, the United States refused to remove the most offending subsidies, but instead negotiated to pay Brazil compensation.

Between 2001 and 2010, U.S. government outlays for cotton subsidies totaled about \$26.4 billion. This article measures, through an empirical simulation model, how the U.S. cotton subsidies affect cotton in Western and Central Africa. Using data on subsidy rates and estimates of supply and demand parameters, the model finds that U.S. cotton subsidies caused more than \$1.6 billion in lost revenue for the 12 cotton-producing countries of West and Central Africa over the 2001 to 2010 period. The impacts of subsidy varies by year inversely with cotton prices, but, for example, in 2006 U.S. cotton subsidies reduced cotton revenue in these countries by more than \$200 million and, notably, by about \$65 million in Burkina Faso and \$25 million in Benin, two of the poorest nations on earth. One component of cotton subsidies, the Marketing Loan Program, contributed almost half of the subsidy-induced revenue losses.

This article evaluates the economic prospects for African countries to successfully pursue WTO dispute settlement along the general lines of the U.S. cotton case brought by Brazil. The WTO does not have provisions to compensate for past losses or to allow third parties to receive compensation for a dispute that they had not joined. Moreover, given high current and projected cotton prices, effects of the U.S. cotton program are likely to be smaller than in the past decade. Importantly, Marketing Loan Program benefits are likely to be zero in the near term. Thus the African nations are unlikely to benefit easily from a new WTO dispute. However, with continued international pressure, and given budget and other concerns, the United States may reduce cotton subsidies unilaterally in the 2012 Farm Bill, and Africa may help further such reforms. ■

DANIEL A. SUMNER



measures as a declaration of trade war and not as the logical reaction to the United States completely ignoring a WTO decision. After nine years of legal and political battle, it is now agreed that American subsidies will be reformed by 2012 at best. One can already imagine that despite the threat of Brazilian sanctions and the desire of Congress to reduce the federal budget, cotton subsidy advocates will continue to fight tooth and nail for these generous programmes to be maintained. Since 2002, the forces on the cotton market have also changed. American production dropped by more than 40% between 2004 and 2009. In spite of this, the USA is still the leading world exporter. At the same time, India became an exporting country by increasing its production by 20%. China, the world's largest cotton importer, also increased its production by 13%. Over this same period, African production dropped by more than 40%⁸.

These figures highlight the extreme vulnerability of African cotton and the challenges that it faces. Although these challenges are evidently not limited to the impact of American subsidies, it is clear that the international trade system is yet to concretely contribute in saving African cotton. ■

ROMAIN BENICCHIO



NB: This text in English is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

Defending Brazilian Cotton: Background and Analysis

Interview with: **FLÁVIO DAMICO** - Permanent Mission of Brazil to WTO in Geneva

GLOCAL : Could you in a few words come back to the genesis of the Brazilian “battle” for its cotton production? What triggered the filing of a case against the US?

FLÁVIO DAMICO : At the time Brazil requested consultations with the United States in September 2002, the US 2002 Farm Bill and other US legislation guaranteed and mandated the payment of a wide variety of export and domestic subsidies for the production, use and export of US upland cotton. US upland cotton producers were among the highest-cost producers of upland cotton in the world with average total costs far exceeding US and world market prices over the five-year period before Brazil requested the establishment of a panel in February 2003. Since 1998, those costs had increased but at the same time world cotton prices had fallen significantly. This situation persisted until very recently.

The percentage of US production exported had accelerated as had the US share of world exports which had increased from 25 per cent of world share in 1998 to 38 per cent of total world exports by mid-2002. This made the United States by far the largest exporter of upland cotton in the world. Brazil’s interests had suffered serious prejudice from lower world prices and excess US export market share since at least 1999. Significantly depressed and suppressed Brazilian and world prices due to the effects of US upland cotton subsidies had impacted negatively on Brazilian farm income, trade balance, cotton-related services, federal and state revenues, and employment, among other factors.

The 2002 Farm Bill and other US laws mandated the payment of numerous subsidies until 2007. These guaranteed levels of subsidies meant that the United States would continue to produce massive volumes of upland cotton regardless of US costs of production and regardless of world prices for upland cotton. The United States’ projections at the time demonstrated that during the remaining life of the 2002 US Farm Bill, US production would remain at very high levels and the expected world price level would remain far below the US cost of production.

GLOCAL : Why did Brazil choose the legal approach to defend its cotton production? Was a negotiation option ever considered?

FLÁVIO DAMICO : Before requesting the establishment of a panel, Brazil and the United States held *three rounds* of consultations concerning the subsidies between December 2002 and January 2003. These consultations did not result in a mutually acceptable negotiated solution to the problem. The problem before Brazil was to find the most effective solution to a situation where we were convinced that the US subsidies were inconsistent with WTO disciplines. The recourse to the WTO dispute settlement mechanism was the most adequate tool available to address such situation.

GLOCAL : Could you please identify and comment on key moments, turning points, arguments in the defense of the Brazilian case, up to the decision made by the WTO Dispute Settlement? Could you please explain the arrangement both countries agreed on?

The problem before Brazil was to find the most effective solution to a situation where we were convinced that the US subsidies were inconsistent with WTO disciplines. The recourse to the WTO dispute settlement mechanism was the most adequate tool available to address such situation.

FLÁVIO DAMICO : Brazil and the United States concluded a *Framework for a Mutually Agreed Solution to the Cotton Dispute in the World Trade Organization (WT/DS267)* on 25 June 2010. The *Framework* does not in itself constitute a mutually agreed solution to the dispute. It sets out parameters for discussions on a solution with respect to domestic support programs for upland cotton in the United States, as well as a process of joint operation reviews as regards export credit guarantees under the program GSM-102. Brazil and the United States also agreed to hold consultations not less than four times a year, unless they agree otherwise, with the aim of obtaining convergence of views in respect of a solution to the *Cotton* dispute. The *Framework* also pro-

vides that, upon enactment of successor legislation to the 2008 Farm Bill, Brazil and the United States will consult with a view to determining whether a mutually agreed solution to the *Cotton* dispute has been reached. Brazil and the United States also concluded a Memorandum of Understanding on 20 April 2010, whereby the United States has started to make monthly payments that amount to USD 147.3 million per year to an institution designated by Brazil. The monies received are to be used for authorized activities of technical assistance and capacity building related to the cotton sector in Brazil and to international cooperation in the same sector (for example, in countries in Sub-Saharan Africa).

GLOCAL : What are your views on the situation in the Doha Round at the moment? How could the negotiation dynamic be reactivated?

FLÁVIO DAMICO : Negotiations are at critical juncture. We came very near to a possible and balanced conclusion in 2008. Since then, some developed Members added their voice to the US seeking to increase ambition in the round selectively, requesting further concessions from key developing countries in NAMA and Services, with no members willing to provide further concessions in Agriculture. This would fundamentally change the equilibrium found in the 2008 package. The only way to find a solution in the narrow window of opportunity available in 2011 would be in the confines of the 2008 package, as the only realist and pragmatic basis for the negotiations.

GLOCAL : How much have the US achieved in terms of cotton subsidy suppression since the introduction of the sectorial initiative on Cotton by the C4 in 2003?

FLÁVIO DAMICO : Very little has been achieved so far in terms of subsidy suppression. The relative decline in US cotton

The only way to find a solution in the narrow window of opportunity available in 2011 would be in the confines of the 2008 package, as the only realist and pragmatic basis for the negotiations.

subsidies in recent years results from a market situation where high international prices prevail. Therefore, the current situation is not the product of substantive reforms in cotton subsidy programs in the US. In the event of a price decline, should the US maintains its current policies in place, subsidies, due to their countercyclical nature, would rise again. In this context, it is also important to note that the US has not fully implemented the results of our cotton dispute until now.

GLOCAL : What is the current US cotton subsidy situation and how is it impacting Brazil?

FLÁVIO DAMICO : The domestic support measures that were challenged by Brazil and found to cause adverse effects in the form of price suppression in the world market are still in place and have not been changed. Although the effect of such measures is temporarily withheld due to the prevailing high prices, the fact that the distorting policies are still in place, they provide the necessary hedge for subsidized farmers to continue to expand their production incurring less market risks than their unsubsidized competitors in the developing world.

GLOCAL : In your opinion what should be expected from the 2012 Farm Bill in terms of cotton subsidy suppression?

FLÁVIO DAMICO : The outcome of the discussion of the 2012 Farm Bill is still open. The US indicates that reforms to its subsidy programs are contingent on the conclusion of the Round. Anyhow, if the scenario of high cotton prices is confirmed, the US administration might have more room for changes in its programs, which might help the implementation of the results of our dispute in the WTO and address some of the concerns that are being dealt in the Doha negotiations. According to some press articles recently published, the US National Cotton Association is currently focusing its demands on the continuation of programs that are considered “green box”, such as “direct payments decoupled from production”, or non-product specific crop insurance, which are the only programs in operation at the moment due to high international prices. These trends and the domestic pressures for budget cuts might have some impact in facilitating reforms in the most distortive programs, such as “marketing assistance loans” and “countercyclical payments”. As yet, we have no certainty that this is going to be case.

GLOCAL : Do you think the “African cotton question” will find a solution within the WTO? Is this likely to hap-

pen in the near future?

FLÁVIO DAMICO : It is very hard to anticipate whether the “African cotton question” will find a solution to the satisfaction of the C-4. Moreover, it is quite clear that it has taken more time than it should and that African producers have incurred great losses over time. In any event, in 2012, in the context of the Farm Bill discussion, we are hopeful that the results of the WTO panel will be taken into account and that the legislators will bring the US into compliance by significantly reforming such programs. If such step are taken, significant progress will be achieved in redressing this situation. As to the Doha Round, another source of pressure, as stated above, the negotiations are through a critical stage and, at this juncture, it does not appear evident that we will be in a position to achieve results in 2011.

GLOCAL : Following into the steps of your country what do you think about a potential African countries’ case against the US cotton subsidies within the WTO Dispute Settlement body?

It is very hard to anticipate whether the “African cotton question” will find a solution to the satisfaction of the C-4. Moreover, it is quite clear that it has taken more time than it should and that African producers have incurred great losses over time.

FLÁVIO DAMICO : The domestic support measures that were challenged by Brazil and found to cause adverse effects in the form of price suppression in the world market are still in place and have not been changed. In that regard, as far as the interpretation of legal provisions is concerned, a dispute launched by other WTO Members could build to a great extent on the case-law developed in the dispute that was brought by Brazil. On the other hand, the current market situation is very different now from what it was at the time Brazil decided to launch its case. This may have an impact on the way a panel assesses the adverse effects caused by the subsidies, the need for further evidence with possible impact on costs to be incurred by the complainants.

GLOCAL : Are there any important lessons the Brazilian delegation have learnt (expert papers to support the case, negotiation techniques, work with NGOs and cotton producer’s organizations...) which would be useful for the African countries if they were to file a case against the US cotton subsidies?

FLÁVIO DAMICO : It is important to

have a solid legal basis for the complaints, as well as a very good understanding of US legislation, a well developed factual database on the specifics of production, costs, price trends and the way market actors operate. At the panel stage, the testimony of knowledgeable producers who are familiar with the way the cotton market works (and how the subsidies impacts on it) can be very helpful.

GLOCAL : Are these arguments still relevant given the current high cotton price market and the future evolution of the international cotton prices?

FLÁVIO DAMICO : The current market situation is indeed quite different from the situation that Brazil faced at the time it launched its dispute. These developments may have a bearing on a panel’s factual analysis of the effect of the subsidies.

GLOCAL : The South-South cooperation is an interesting development. Could you please tell us more about the projects related to African cotton your country is involved in (type of projects, countries, resources, Brazilian organization involved...)?

What is the diagnosis on which these projects rely? Are there any noticeable impacts assessed already?

FLÁVIO DAMICO : Brazil is implementing an ambitious program of cooperation, technical assistance, technology transfer and capacity-building with Benin, Burkina Faso, Chad and Mali in the field of cotton. The Brazilian Agency of Cooperation (ABC) and the Brazilian Enterprise for Agriculture Research (Embrapa) are sending us reports on the advanced state of the cooperation and the implementation of this program.

The main activities include (a) the construction and development of a “Model Farm for Cotton” in Mali, for the benefit of all Cotton-4 countries (estimated value of US\$5,5 million) ; (b) capacity building in systems of cotton cultivation and genetic enhancement; (c) introduction of varieties; (d) biological control of plagues; and (e) enhancement of the cotton industry profitability. ■

M. FLÁVIO S. DAMICO



Litigation, a way out of the deadlock in the African cotton Sector Initiative

By **Dr El Hadji A. DIOUF**, Executive Director of the African Agency for Trade and Development (2ATD)

Introduction

Since African countries started linking the difficulties encountered in their cotton sector to the slump in international prices and American subsidies, they have striven to seek solutions thereto. It has never been for them about casting doubt on the domestic problems affecting the sector. American subsidies have always been considered an important factor in the problem besetting the African cotton sector. Many formal and informal consultations have been organised; several organisations, inter-governmental and of civil society, were involved. Finally, a decision was taken to encourage a sector initiative instead of referring the issue to the Dispute Settlement Body (DSB). That initiative had its merits and demerits. Its chief merit was that it brought the problem affecting the African cotton sector to the notice of the WTO. Its main demerit was that it precluded the possibility of pursuing any litigation against the United States.

That initiative had its merits and demerits. Its chief merit was that it brought the problem affecting the African cotton sector to the notice of the WTO. Its main demerit was that it precluded the possibility of pursuing any litigation against the United States.

Negotiations have been going on for eight years now. One of the major achievements was the creation of a Special Committee on Cotton in November, 2004. Since then, results are still awaited. It was however predictable. Cotton remains an agricultural product. Any “extraordinary” solution applied to cotton should be based on the “principle” applied to agriculture. That is the exception that confirms the rule. There can be no decision on cotton insofar as there is no agreement on agriculture. Therefore, the creation of the Special Committee on Cotton was a logical sequence to the July 2004 Package that placed cotton under the responsibility of the Special Committee on Agriculture. In 2011, there is still no agreement on agriculture; it is quite logical that there haven’t been serious discussions on cotton!

Brazil won the case against the United States over the same dispute and on the same problem. They reached a trade arrangement that satisfied both parties, with the exclusion of all others. The WTO system allows that. Their arrangement of April and June 2010, is strictly private. The period of grace for applying countermeasures is an option granted to

the winning party. It is in a bid to ensure the flexibility of cross-retaliatory measures to guarantee the arrangement that best caters to their interests. That is legal, and those are the rights conferred on Brazil retroactively by the mere fact of bringing the matter before the DSB; which is not the case with the African countries.

Added to this, and this is not of least import, any solution found by the African countries, as part of negotiations in the WTO, will confer rights only for the future. It is the distinguishing feature of negotiation. Whereas the main feature of dispute settlement is recognising the past prejudice and taking cognizance of it. The purpose of this paper is to show that if the case of the African cotton gets bogged down in the WTO, then litigation remains the final expedient to explore.

AFRICAN COTTON CASE BOGGED DOWN IN WTO: SYSTEMIC RIGIDITIES AND CONFLICTING STRATEGIES

The legitimacy of the African cotton case in WTO has never been put to question. To begin with, it was difficult to come up with reasons for its failure or the reasons for its getting bogged down, to the extent that the C4 cannot enjoy any substantial benefits after eight years of proceedings. If the anticipated results fail to materialise, that will be due to a combination of some WTO principles that make for rather functional rigidity and the more or less equivocal strategies.

Series of African Applications Ill-Adapted to the WTO System

The Sectoral Initiative in Favour of African Cotton comprises two major applications, one being a claim for compensation and the other, a proposal that African cotton be considered as a special product. They result from an innovative and not necessarily incoherent approach, but are not in line with the working principles of the WTO.

An inappropriate compensation claim

By invoking an emergency solution or the acceptance of the cotton case, the African countries demanded compensation. They held that insofar as it would take some time to completely eliminate the allegedly illegal American subsidies, they must receive *financial compensation* to offset the loss of revenue they incurred. They felt that the only practicable

short-term measure was the payment of a contractual financial compensation to redress the commitments resulting from the Doha Round, for the members concerned. Such compensation should be calculated proportionally to the subsidies granted by the countries that support cotton production, and will be reduced and/or eliminated progressively with the reduction or elimination of the subsidies.

For the C4 countries, claims for compensation are justified by the inefficiency of the WTO compensation instruments. In fact, compensation by way of additional concessions on other products cannot be effective in the case of cotton-producing LDCs, which they are. The other rare export products they possess already enjoy other preferential treatment under other trade arrangements. The second mechanism which consists of raising customs duties on import products would only weaken the cotton-producing LDCs further, since most of their imports are made of essential goods for development and poverty alleviation in their own countries. Those two compensation instruments have therefore proven to be counter-productive. They had no choice but to demand compensation. Although it is a classical international move, the practice is prohibited and inappropriate outside the framework of WTO litigation. It is of course original, but it is not provided for under the trading system outlined in the scheme utilised by the Cotton Initiative. Finally realising that insistence on that claim could end in a deadlock, the WTO could not defer the matter. A positive response would mean a «precedent» which, if put into wide use, would blast the trading system.

A request to make cotton a special product unsuccessful

The Cotton Initiative clearly demands that African cotton be considered as a special product under the WTO; which would grant special treatment in terms of market access. That request was made as part of the negotiations on the Doha Round at a time when the special sessions of the Committee on Agriculture were contemplating the creation of a special products system for developing countries. Those products are deemed *special* because of their importance in achieving food security, rural development and/or providing a means of livelihood. The Cotton Initiative rode on that wave, and the C4 countries demanded the extension of the concept to the offensive interests of developing countries, where the exportation of such products turns out to be vital for

agricultural development and the survival of the rural population in LDCs, as is the case with cotton. On these grounds, they are also demanding guarantees for fair access to the world market.

But it soon became evident that the move had no chance of succeeding. Under the WTO system, special products apply to the defensive interests linked to the protection of one branch that plays a crucial role in the defence of *considerations other than non-trade concerns*. The special product is therefore, by definition, under the special and differential treatment. That is confirmed by the use to which it was put in the July 2004 Package. It can only be invoked in case the product in question does not in itself bear proof of competitiveness on the international market; which is not the case with African cotton that ran into difficulty owing to the change in trading system brought about by the use of subsidies. The intrinsic value of African cotton confers on it a certificate of competitiveness that the Africans are the first to take advantage of. From this perspective, it cannot be deemed a special product. The initiative attempted to use the concept of special product in an offensive manner. But in the final analysis, it is no less a bold, but in-operational tool.

A combination of conflicting strategies detrimental to the African case

The choice of a defence strategy for the cotton case before the WTO has not been easy. The Cotton Initiative was born of the exclusion of the option of dispute settlement, a choice which turned out to be unfortunate. The same applies to the associating of trading and developmental issues, whereas the African case is essentially commercial.

An exclusive choice of the option of restricted negotiation

Even though the case seems to be an experiment by the African countries on the modes of functioning of the WTO, the low level of participation in the different negotiation rounds and the lack of commitment to the legal procedures of the institution confirmed the passive presence of the Continent in the decision-making process. It is not an overstatement to say that all the gains derived from the trading system arose more from a unilateral determination or from the desire by other members to strike a balance than from a deliberate, motivated quest. Hence, that Initiative called for interference within the labyrinths of the WTO, which gave rise to the preliminary question of method. Dispute settlement or negotiation: what is the way out? The choice was not easy, given the ignorance about the machinery and especially the high profile of the opponent. The United States is in the line of sight.

To the participants in the trade negotiation, the U.S. is an economic and trade monster and it is not in the interest of the African LDCs to confront it. Any initiative aimed at opposing it may have more damaging eco-

conomic repercussions than its subsidy policy. It believes that the most direct means is to negotiate an effective reduction in agricultural subsidies under the WTO Talks. Such multilateral strategy offers the advantage of allowing the U.S. to seek alliances with other developing countries and thereby increase its clout in the negotiation.

The option of negotiation may seem exclusive, notably owing to difficulties in referring the matter before the WTO DSB. A certain number of preliminary questions pertaining to pre-litigation were brandished. They rendered any reference of the case to the DSB chancy for the African countries. It had to be shown that the peace clause which is couched in Article 13 of the Agreement on Agriculture and which precluded any litigation on the matter for a period of nine years had lapsed on grounds of the volume of American subsidies in relation to the 1992 base year. Then, it became necessary to work out some settlement points around the level of commitment by the United States. Were its subsidies below or above the pledged level?

The uncertainties surrounding those questions and the absence of local expertise could be considered as obstacles to a credible litigation process before the DSB. It is not superfluous to mention that, at the time of setting aside the option of litigation for reasons evoked hereunder (January-March 2003), Brazil had already brought the matter to the DSB that, finally, found Brazil right about the peace clause and the level of commitment of the United States.

In the final analysis, the arguments advanced in favour of the complainant, relied essentially on the need for African countries to claim their rights through legal channels and based on the will to test the mechanisms of the WTO system. This avenue will not be adopted, perhaps by ignorance, by paucity of resources or lack of expertise for sure. But the heavy political stake raised by this case would have played a determinant role. The separate decisions by Benin and Chad to join the Brazilian case as third parties are dictated by an independent, sovereign analysis of the situation, outside any participatory process.

A linkage of trade and development questions rejected in the WTO

Is the WTO the ideal forum for dealing with development and poverty-reduction problems? The question arose from the moment of drafting the Cotton Initiative which generated some tension over the system guidelines to give to the African submission. The cotton problem is multi-dimensional. Even though it is socio-economic in origin, its international manifestations rather point out to social injustice deriving from non-compliance with a certain number of international trade regulations.

In its title, the Initiative calls for poverty reduction. But participation in the fight against under-development depends on the strict discretionary powers of the wealthiest eco-

conomic partners. It can only be invoked by virtue of moral considerations or for purposes of solidarity. The secret machinery of the international system are so designed that historically, forums have been developed with a view to harmonising mechanisms for economic intervention, bilateral or multilateral, aimed at supporting the poverty reduction strategies. The operational methods of institutions such as the IMF, the World Bank, or even the OECD are sufficiently explicit for us to expatiate on them here. In the field of trade, such participatory development effort is manifested by unilateral offers of trade concessions of the type General Preferences System. We now remain in a field devoid of the slightest notion of competition or competitiveness and where advantages are granted on a voluntary, unilateral basis. It is obvious that nothing in the diagnosis of the precarious situation of the beneficiaries of the aid makes mention of any liability or fault imputable to the supplier state.

Thus, invoking poverty reduction seems an overabundant means that will be counter-productive in the defence of the cotton case. It is true that a possible elimination of subsidies will make for better marketing of African cotton and will have a direct incidence on poverty reduction, but it still remains that the sought goal is not a unilateral concession based on moral considerations, but compliance with common undertakings subscribed to, independently of the level of development of the various countries. By orientating the Initiative along the lines declared for poverty reduction, Africa gave the impression that they were begging for what is their rightful entitlement.

Since the Cancun fiasco, cotton seemed to have gotten lost within the meanders of trade negotiations that gave no valid sign of resumption. The informal discussions conducted in the meantime highlighted two new key points: inclusion of cotton in the negotiations of the Committee on Agriculture and strict separation between the trade component and the development component for the cotton case. Voices were raised against the treatment of a case on development issues by WTO. That is why the WTO came to organise an international conference on African cotton on 23, 24 and 25 May, 2004, in Cotonou. By initiating that meeting to deliberate on an agenda exclusively related to development, WTO appears to have opted for a system that was not unanimously adopted, but on which the contending parties seemed to have reached a compromise. The consensus from that meeting was that the WTO should ultimately play a role of inter-mediation, to help find an emergency solution and by postponing the effective inclusion of the trade component of the cotton case in the July 2004 Package.

For the C4 countries, it is time for pragmatism. It must be noted that if we came up with an agenda and solutions exclusively linked to development, it is because of our concern to maintain the *WTO system*. They

came to the conclusion that it was necessary to accept something in order to save the sector from collapse and to remain consistent with the emergency nature invoked in the Initiative. Separation of the trade component from the development component in the case was therefore endorsed. It is presented as an element in an African strategy, a stop-gap measure to give small landholders a respite and which encompasses the fact that the discussions on the trade component will resume as soon as the international context becomes propitious. But the *Development option* elected in Cotonou discredits *de facto* the invoking of the urgent nature of the Cotton Initiative; and the silence over the subsidy problem encouraged the adoption of a really false therapy for a crisis that is first and foremost systemic.

THE SOLUTION OF DISPUTE SETTLEMENT FOR AFRICAN COTTON IN WTO: IMPEDIMENTS YESTERDAY AND FUTURE STRATEGIES

It is evident that the African countries had not given thought to dispute settlement in their case. The collective option for non-litigation ended up marginalising the C4 in the solution of the dispute between Brazil and the United States. But that missed opportunity has not clouded all the horizons. Referral to the DSB is still possible. It suffices to start in time and acquire the political, legal and financial wherewithal to achieve the goal.

A marginal posture in the Brazil/United States dispute on cotton

The third party status of Chad and Benin does not derive from a concerted strategic approach, but rather from individual sovereign decisions. The real problem lies in the fact that the third party status confers only limited rights to the interested parties. Worse still, it is of no use if the main parties in the dispute do not agree right from the start, on the modalities for implementing the decision of the DSB.

An inefficient status of African third parties

Benin and Chad reserved their rights as third parties. Article 10.2 of the Dispute settlement understanding (DSU) allows members of WTO with substantial interest in a matter to signify their interest by joining the dispute. That offers them the possibility to be heard by the Special Group and to submit written briefs. As a general rule, members of WTO resort to this procedure where they have substantial interests and where there are systemic interests of concern to them.

In their capacity as third parties, Benin and Chad had the possibility of giving their point of view to the Special Group on the different points debated and registering their preoccupations. But they did not have ample room for manoeuvre in order to influence the decisions of the Special Group.

Benin and Chad participated neither in the se-

lection of members, nor in the organisational meetings of the Special Group during which the timetable for meetings are worked out. They were also disadvantaged in the implementation of decisions and final recommendations of the DSB. WTO legislation requires recommendations and decisions of a Special Group to be applied without discrimination, on the basis of the most favoured nation clause (MFN). However, the outcome of a dispute is binding only on the principal parties. In the cotton case, this means that the United States that lost the case (following the ruling that their subsidies are incompatible with their obligations under the WTO Agreement) must implement that decision without discrimination towards the other members of the WTO. But by virtue of Article 21.5 of the DSU, only the plaintiff, Brazil, had the possibility of requesting a Special Group to verify whether any new measure adopted by the defaulting party, the United States in the case in point, was in conformity with the rules of the WTO. Furthermore, only Brazil had the possibility of negotiating compensation in case of breach of the decisions by the United States and adopting retaliatory measures where the decisions and recommendations of the Special Group were not implemented. That is the main inconvenience in the status of African third parties. That option had the advantage of guaranteeing the LDCs, lacking financial resources, participation in a lengthy dispute settling procedure without filing individual suits. Unfortunately, the anticipated gains have been annihilated by the emergence of disputes in the implementation of the decisions of the DSB on cotton. The United States and Brazil who did not agree on the modalities for execution of the decision concerning them were forced to resort to a series of arbitrations, until the advent of the Special Group on implementation.

An additional stage in the dispute between Brazil/United States precluding the possibility of African countries enjoying collateral gains

Following the different decisions of the DSB and the arbitration conducted, the dispute over implementation persisted. Brazil continued to feel that measures envisaged by the Americans as compensation were not in conformity with the decisions of the WTO judges. Brazil therefore requested, under the purview of Article 21.5 of the DSU, the formation of a Special Implementation Group. The potential benefits that can accrue to the African countries under the new procedure are linked to the nature of the final decision of the initial Special Group on implementation. Is it the logical sequence of the decision of the Special Group? Is it a deferred implementation of the initial recommendations of the DSB; and therefore an MFN-type decision applicable to all Members of WTO?

We believe that the answer to that question is negative. What would really be the interest in a new case just to repeat the same *incantations* of the DSB? If the decision of the Special

Group about implementation is to produce the same effect, in terms of rights and obligations, as that of the initial Special Group, the procedure outlined in Article 21.5 put in motion by Brazil will only be a *legal instrument for delaying tactics* by members caught out by the DSB. It will just serve as an opportunity to unduly prolong commercial advantages from illegal measures. In terms of computation of deadlines, it simply means that the Brazilian victory over the United States will be constituted of the entire reasonable implementation period, in addition to the normal 90 days allowed under the new procedure, not counting the ensuing additional possibility of appeal. That legal *incongruity* would end in economic loss. Failure to withdraw measures declared illegal continues, meanwhile, to cause prejudice for which liability has not been clearly defined under the trading system.

What logic can justify the trading losses incurred by a plaintiff member being “ignored” by deliberate, unilateral default on the part of the offending member? Despite the fact that such a vision will render the procedure outlined under Article 21.5 redundant, doubt will be cast on the coherence and credibility of the entire system.

That interpretation has confirmed the practice by members and the DSB in the debate on hierarchy between the procedure under Article 21.5 and that under Article 22 of the DSU. The provisions of Article 21.5 organise recourse to the original Special Group for settlement of any dispute over the conformity of the measures taken for the implementation of recommendations; whereas Article 22 provides for the possibility by the plaintiff, and after expiry of the deadline for implementation, of suspending the concessions and other obligations.

The fact that the DSU was not established jointly with the hierarchy raises a problem of interpretation that may be prejudicial to the party winning the case.

In practice, it emerged that the suspension of concessions should be preceded by determination of conformity effected by the original Special Group.

In this case, it means referral to the original Special Group by Brazil emanates from the will to endow itself with legal guarantees for execution of suspension of concessions and future obligations, which is a prerequisite for legalising the retaliatory measures envisaged. Hence the precedence of the procedure under Article 21.5 over that set forth in Article 22 of the MOU; which can be deduced that the implementation measures that will be taken by Brazil will be within a bilateral arrangement and therefore cannot benefit the African countries, neither by way of MFN, nor in their capacity as third parties.

Finally, this new complaint by Brazil could not have a positive impact on the African cotton that continues to suffer under American subsidies.

The reason is simple: this additional stage in the dispute process makes it a purely private matter that precludes other members of the

WTO from enjoying any possible gains from the settlement of the dispute. As long as the original contentious measures are not withdrawn – which would have benefited everybody – any subsequent consensus-based solution can concern only the parties fully involved in the litigation.

That explains the margin for manoeuvre available to the United States and Brazil to work out their arrangement.

A dispute settlement at the WTO as a last option for African cotton

Is drawing the attention of the DSB of the WTO to the prejudice suffered by the African countries not the ultimate option for African cotton? Not only have all the other options and strategies failed to attain the anticipated results, but the momentum seems favourable, the working modalities and profits assured.

Non-extendable deadlines, a favourable momentum

Since the complaint by Brazil against the United States on cotton in September 2002, the possibility of an African complaint still remains open. The African countries could have, individually or collectively, filed a complaint against the United States. They could also have, by the same move, joined Brazil. That would have made it possible to avail themselves of the technical argument put forward by Brazil, reduce the financial impacts of engaging in a long-drawn litigation should they file an independent suit, and guaranteed a mutualisation of benefits in case of success. Nothing of the sort happened. It is a lost opportunity. Nevertheless, at the time Brazil is savouring the fruits of successful dispute settlement, there is nothing to stop the Africans from lodging a complaint. Certainly there has been a delay, but it is never too late. But for

Nevertheless, at the time Brazil is savouring the fruits of successful dispute settlement, there is nothing to stop the Africans from lodging a complaint. Certainly there has been a delay, but it is never too late. But for how long do they have to wait?

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On the basis of some problems affecting African cotton, there are American subsidies authorised by the 2002 Farm Bill. That is the contentious measure challenged by Brazil and targeted by Benin and Chad in their capacity as third parties. It was declared partially incompatible with the trade commitments of the United States. It should therefore be withdrawn or offset by other trade compensations, to the extent allowed by the WTO system. As long as the American Agriculture Bill remains in force and produces effects liable to distort international trade, the possibility of an African complaint remains open.

The United States voted another Farm Bill in

2008. How is it different from the 2002 Bill? Talking about the relevant subsidies we are concerned with, we consider it a consolidation of the same practices reposing on a formally modified legal base, which changes neither its nature nor its content; much less its effects. The 2008 Farm Bill is an extension of the 2002 Bill. Therefore the possibility for African states to bring a suit against the United States remains open. It could rely on the 2008 Farm Bill, with the negative effect that any eventual compensation will take effect from that date.

On the contrary, by relying on the combined force of the 2002 and 2008 Farm Bills it is possible to prove that Africa has been subjected to continued prejudice since 2002; and that the time for which any subsequent damages are calculated must be with effect from that date.

It emerges that even with a nine year delay, an African complaint has all the chances of producing the same effects as the Brazilian case, with retroactive acknowledgement of the damage inflicted and a proportionally consequent compensation. The snag is that, it is perceptible that there is a delay beyond which, under certain conditions, an African suit will no longer offer the guarantee of recognition of previous prejudice. The United States is contemplating a new Farm Bill for 2012.

The arrangement of April and June 2010 that it made with Brazil is a powerful incentive. The new agricultural law will substantially reduce its subsidies and the impact on international trade, including a share of the African markets.

This new Farm Bill might not provoke disputes; the United States would do well to comply with the decisions of the DSB. Particularly, it will supersede agricultural bills in force. Their effects do certainly persist, whereas the topic is out of date. Any African suit will be aimless and the arguments advanced will be inoperative. If the contested laws are no longer in force, there can be no possible litigation.

Admissibility of complaints in the WTO is appraised not only in terms of induced effects, but also in terms of reality about the existence of a practice based on the domestic law in force. One can conclude that a new American Farm Bill in 2012, to reform the agricultural subsidy policy in the direction required by the DSB, will extinguish any possibility of Africans filing a claim against the United States, in the specific field of cotton subsidies.

That means that in spite of the indisputable illegality of the American subsidies, confirmed by the WTO, the indisputable prejudice suffered by African countries will never be recognized, much less compensated for. And it is not the negotiations that would change anything. If the African countries therefore want to refer the matter to the DSB, it is imperative for them to know that the deadlines within which to reflect and take action made available to them since 2002 will probably expire by 2012.

Recover rights, individually or collectively: the approach of a “collective claim”

Several reasons have been advanced for not lodging a complaint with the DSB of the WTO. The African LDCs have often thought that dragging the United States before the DSB would be “hostile” and could expose them to reprisals. The likely loss of a proportion of the American aid to development, coupled with the risk of losing its chance of being selected into AGOA convinced them to instead focus exclusively on negotiation. The issues of the lack of financial resources to handle the long and costly dispute procedure were also raised. These reasons cannot be seen as obstacles against referring the case of the African cotton through dispute settlement procedure to the WTO.

Hostility is not a feature in settling disputes in the WTO. This was not conceived within a punitive or vindictive spirit that seeks to disgrace the defending party or weaken its local commercial capacity. The objective of the dispute settlement is to guarantee a balance of the rights of the plaintiff by the withdrawal or the non-application of a measure by a member that would cause trade imbalance. The United States and the European Union often clash within the context of the system of dispute settlement at the WTO, without putting to question their trade partnership. Emerging countries like India, Brazil or China use the system wisely as opposed to their trade partners who may have protectionist tendencies. They are being “attacked” at the WTO in a bid to urge them to increasingly open their market and to trade with them.

It is therefore imperative for the African cotton producing countries to abandon this “idyllic” vision of international trade which hinders them from making maximum use of the opportunities offered by the system. From this perspective “collective action” would be salutary, for them, at all levels. It would make it possible to annul the likely negative effect of a suit against the United States. Instead of an individual suit which could expose any one country, all the more reason, for a multiplication of plaintiffs around the cotton issue. The WTO regulations make provisions for that. Paragraphs 2 and 3 of Article 9 of the DSU on the procedures applicable if there are several plaintiffs. If necessary, a unique special group is constituted to review the case and present its conclusions in a manner that would not in any way compromise the rights of the parties to the dispute, if distinct special groups had studied their respective cases.

Such a collective suit is therefore a series of individual suits combined retroactively. It can also be conceived, primarily by a series of informal consultations between potential plaintiffs and result in the setting up of a special group unique in the sense of the WTO law. In this case, the existence of hard core stakeholders with the C4 simplifies the issue. The four countries concerned may submit a

collective suit at the WTO against American subsidies, alone or by opening up to any other WTO member, African or not, that would defend the same positions. This approach presents several advantages.

First and foremost, it "dilutes" the sentiment of hostility against the United States and especially, allays fears of individual reprisals. That an African country should submit a suit against the United States, in an individual capacity, would be a natural thing to do. It would even be welcome. But the context may turn it into a rash decision which could be settled by a collective suit. Actually, it is difficult to imagine that the United States would initiate collective repressive measures against LDCs among the poorest in the world, just to be seen clamouring for the withdrawal of an agricultural law presumed incompatible with its commercial commitments. The United States would not take the risk to ruin its entire cooperation policy on development in West and Central African, due to commercial disputes caused by the present economic situation.

Then, the collective suit calls for a reconsideration of the arguments concerning the human, financial and institutional means which may be inappropriate. It is difficult to think that a group of African countries, be they LDCs, which in addition have suffered prejudice over several years, do not agree to mutualise their financial resources in the hope of winning a battle which would enable them to recoup their losses and obtain compensation for the prejudice suffered. It should be added that institutions like the Advisory Centre on WTO Law (ACWL) whose mandate is to assist LDCs in such a procedure, as well as other expertise that Africa has had to build and maintain through various capacity building programmes, can still be mobilised in order to guarantee a procedure for settling disputes at minimum cost and maximum efficiency.

Winning litigation at the WTO... What Next?

In spite of the time lost by the African countries to bring action against and the time taken by the United States to comply with the prescriptions of the DSB, the Brazilian "victory" is paradoxically being presented as the catalyst for a subsequent suit by African countries. The same American subsidies produced the same effects on the African countries. The same agricultural law will be sought, the WTO panel will present the same arguments and will reach the same conclusions; and the African countries will benefit from a favourable decision as long as the 2002 and 2008 Farm Bills are in force. We have learnt that the rise in cotton prices over the past few years could be prejudicial to African countries at the WTO. This can perhaps be verified, at the level of negotiations, but not within the context of the litigation. These price hikes are based on the economic situation. But, the economic mitigation of the effects of the American law on litigation does not call to question its illegal nature. Litigation does not only focus on the present effects of the Farm

Bill, but on the damage caused from the date of entry into force right up to their final withdrawal. Litigation at the WTO does not adapt to market fluctuations.

If the African countries won the case after a suit against the United States, they could expect two things. Firstly, the withdrawal of the American agricultural law on litigation: Mindful of the deadlines, it is likely for that to be done before the end of the procedure and subsequent to the agreement between Brazil and the United States. It is an anticipated commercial benefit which is going to ease the procedure for implementing later DSB decisions. Then they will have the great privilege of seeing the prejudice they suffered in the past recognised and assessed on that basis, like in the case of Brazil. Then we have the intricate problem of getting the losing party, the United States in this particular case, to implement the decision. To certain observers, the WTO dispute settlement system can be efficient only insofar as the winning party has effective retaliatory means to constraint the losing party. That is the point in the dispute between Brazil and the U.S.. The latter would surely not have agreed to compensate Brazil if Brazil did not have the retaliatory means by way of intellectual property, for instance. Following this line of thought, we may believe that victory of the African countries over the United States will only signify a moral victory impossible to convert into commercial gains; and therefore, a suit by the African countries will not come to much. Such sombre thoughts should be banished for the following reasons:

A moral victory is always good to win. It is the acknowledgement of a tort and assuming liability for prejudice inflicted. In the WTO context, it is a signal to the LDCs of an equitable, predictable system liable to guarantee their gradual integration in the world economy.

We cannot presume bad faith on the part of the United States if it came to lose in a dispute with the African countries over cotton. There is nothing standing on the way of United States to implement the decisions of the DSB in good faith.

The negotiations on cotton started since 2003. A Special Committee on Cotton exists since November, 2004. But that has made for no progress because there is no obligation on any country to negotiate. But dispute settlement will force the United States to appear before a panel and it would be obligated.

We cannot presume bad faith on the part of the United States if it came to lose in a dispute with the African countries over cotton. There is nothing standing on the way of United States to implement the decisions of the DSB in good faith. It could withdraw its contentious subsidies, where necessary, agree to offer equitable compensation in reparation for the prejudice suffered by the African countries.

Absolute failure by the United States to implement the decisions will expose the system. That would mean that the WTO dispute settlement system only works for trade between the major trading powers. It is not designed for LDCs wouldn't have no means to enforce their rights. The prejudice recognised for African countries and their right to ensuing reparation cannot be statute barred. Better still, prejudice is recognised with effect from the date the American Farm Bill entered into force; and the compensation accruing to them is determined on that basis. Even if perchance reparation turns out not to be effective, it doesn't mean the right can be invalidated. It will be payable *ad vitam aeternam*. ■

NB : This text in english is not the original version, but rather a free translation of the authentic French version (See French copy of the special edition).

**EL HADJI A.
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GLOCAL, Revue Africaine sur le Commerce et le Développement, N°3, **Janvier-février 2011**



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Its main missions are:

- Harmonising the different African trade policies at multilateral, regional and bilateral levels
- Providing African negotiators with technical information necessary for drafting negotiating positions
- Building the capacities of African stakeholders in trade negotiations: governments, civil society, production sector, academic milieus, etc.

*"Forging Africa's
Development through Trade"*

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