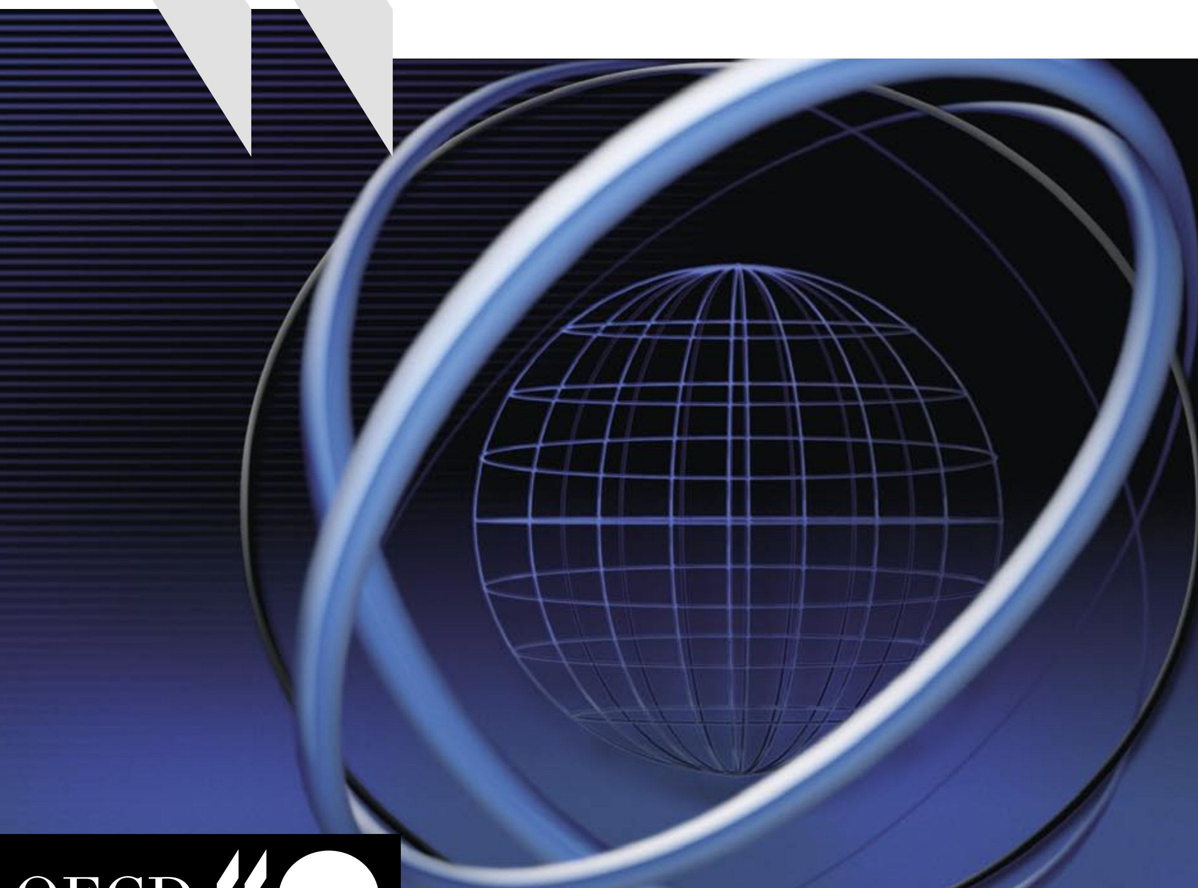
The Development Dimension

Cotton in West Africa

THE ECONOMIC AND SOCIAL STAKES



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SAHEL AND WEST AFRICA CLUB

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Le coton en Afrique de l'Ouest
UN ENJEU ÉCONOMIQUE ET SOCIAL

Presentation of the Sahel and West Africa Club/OECD

The Club was created in 1976 by members of the Organisation for Economic Co-operation and Development (OECD), in collaboration with African leaders from Sahelian countries in response to the devastating droughts and the food crisis which ensued. In 2001, taking into account the complementarity of the Sahel with other West African countries, **its Board of Directors decided to expand the Club's geographic coverage to encompass all of West Africa**. Its activities cover 18 countries which include the 15 ECOWAS member States, Mauritania, Chad and Cameroon.

Administratively attached to the OECD, the Club Secretariat is financed through voluntary contributions from a large number of OECD member countries. The Club is led by a Secretariat composed of a small technical team based in Paris. It benefits from the support of a network of diverse partners inside and outside the region.

The Club works within a network consisting of West African government *representatives, actors from civil society, the private sector, as well as development and research agencies. The Club also works in close collaboration with West African development partners and with international and regional organisations notably ROPPA, the CILSS, the WAEMU, ECOWAS, the African Union and NEPAD.*

The Club Secretariat directly supports ECOWAS' actions by playing an advocacy role and promoting exchanges within and outside the region on the desirable and possible futures for West Africa while making African voices heard within various fora. In July 2004, ECOWAS and the SWAC Secretariat identified areas of cooperation concerning rural development; cross-border cooperation; governance; conflict dynamics; peace and security as well as medium- and long-term development perspectives of the region. Furthermore, the Club also works in close collaboration with the CILSS on several initiatives in particular food security as well as rural transformation.

The Club's specificity is based on its regional approach, its interest in the medium- and long-term development perspectives of West Africa, the identification of dynamics of change underway, its balanced perception of the progress and challenges facing the region and its experience of realities on the ground.

Foreword

This study is being published at a key moment in the history of development assistance and multilateral trade agreements, highlighting the nexus between them. In 2005, OECD donors agreed to double their Overseas Development Assistance (ODA) to Africa by 2010 from $25 billion a year to $50 billion a year and there is increasing interest and support for Aid for Trade initiatives to assist developing countries' integration into the global economy. At the same time, the Doha "Development Round" of multilateral trade negotiations has just been suspended as no agreement that can satisfy both developing and developed countries can be found. The African cotton crisis, and the linkages between the potential for the development of this sub-sector and trade and agricultural support policies, has been one of the difficult issues that the Doha trade negotiations have been unable to adequately address. It is very much to be hoped that this timely publication will assist all actors in improving their understanding of the issues and stakes relating to one sensitive area, West African cotton, and that it might contribute in some way to the successful conclusion of the Doha Round.

This issue is of keen interest to the OECD and its development work. Contributing to global development and maximising the benefits of globalisation for all are key goals of the OECD. As an intergovernmental agency bringing together nearly all areas of policy-making, the OECD is well-placed to provide impartial analysis and promote dialogue that can motivate governments to join-up policies in support of the development objectives to which they have agreed. The OECD has a special role to foster policy coherence for development in support of the achievement of the internationally agreed development objectives, including the Millennium Development Goals (MDGs).

One way in which the OECD has addressed policy coherence for development is through examining the inter-linkages between development and a range of sectoral policies, including agricultural and trade policies. For example, support to agriculture in OECD member countries for many years was about five times greater than global ODA – even the recently scaled-up ODA reaching USD 79.5 billion in 2004 was less than a third of overall support to agriculture in OECD countries of around USD 279 billion in 2004. This level of agricultural support can harm developing country agricultural sectors due to the impact on international markets, and on prices of agricultural products. The African cotton sub-sector has been identified by some as an example of OECD country policies having a significant negative impact on a key productive sector in a region to which OECD countries provide substantial development assistance.

This study and the regional consultations on the international negotiations on cotton led by the OECD's Sahel and West Africa Club (SWAC) describe the nature, importance, constraints and potential of the cotton sub-sector in West Africa. They point out that cotton production is critical for the livelihoods of a large number of people in West and Central Africa. Up to 16 million people are directly and indirectly involved in or benefit from cotton production and trade in zones where it is a key cash crop. For a number of countries in the region, cotton is a vital or, indeed the largest, source of foreign exchange, with few or no possibilities of diversification in the short to medium term.

World cotton production and trade are dominated by China, the US and India. However, West and Central Africa taken as a region is the fifth largest cotton producer in the world contributing 5% of total international cotton production. West and Central Africa is also a major player in the international cotton trade. This is based on the rapid growth of the sub-sector since 1960, with West and Central Africa producing over a million tonnes of cotton lint every year since 2002.

The study shows, however, that towards the latter part of the 1990's, the West African cotton sub-sector faced a crisis with the prices of cotton falling dramatically at that time. This study shows that there are multiple causes of this price collapse and the related difficulties faced by the sub-sector ranging from: competition from synthetic fibres and BT cotton, variable quality of West African cotton and a weak regional market for cotton due to a limited textiles industry. Nonetheless, the policies that provide public support for cotton production and trade that exist in large cotton and textiles producing countries in Europe, Asia and the Americas have played a major role in the creating a very difficult economic context for African cotton. This is a case where greater synergy or coherence between development, trade and agricultural policies in OECD countries could promote economic development and improved livelihoods in one of the poorest regions of the world.

Four West and Central African countries who depend heavily on cotton production and export – Benin, Burkina Faso, Chad and Mali – launched a "Sectoral Initiative in Favour of Cotton" at the WTO as part of the Doha Round of international trade negotiations in 2003, just prior to the WTO Ministerial in Cancún. The Initiative proposed the elimination of support measures that might distort cotton prices, namely export subsidies and domestic support for cotton production.

Three years later we have just seen the suspension of the Doha Round of trade negotiations, dashing hopes that the trade dimensions of the cotton issue will be addressed through multilateral regulatory measures – at least in the short to medium term. In this context, it is critical for the survival of the African cotton sub-sector to examine ways to increase efficiency, sustainability, and generate added-value in the African cotton sub-sector while also promoting a level playing field in international trade. This might be possible through, for example, better access to and development of technology, development of regional markets and processing capacity – all issues addressed in this report.

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The SWAC and other parts of the OECD have played a supportive and impartial role in the international consultations on African cotton, promoting dialogue and policy coherence wherever possible. The SWAC has, since 2003, played its special role as a facilitator of debate and mutual understanding on cotton-related issues between OECD members and West African actors from government, the private sector and civil society. The SWAC contributed its assessment of the importance of cotton to West African economies and livelihoods to the WTO's regional meeting on cotton in early 2004, and our Development Assistance Committee (DAC), in collaboration with the SWAC, organised an Information Meeting on African cotton in early 2005 to improve understanding of the stakes and coordination among development agencies supporting the development of the sub-sector. The OECD DAC is involved in contributing to the Aid for Trade agenda – a key route to addressing the issues facing sub-sectors such as cotton in the context of the stalled Doha Round trade negotiations.

It is important for the Doha Round negotiations to resume and be concluded as soon as possible. In this context, we hope this study might be of some assistance. As the discussions on international trade continue, and the Aid for Trade agenda matures, this publication will be an important strategic tool to facilitate mutual understanding and dialogue on the fundamental characteristics – local, national, regional and international – of the African cotton sub-sector and the challenges it faces. It will be invaluable in informing both development interventions in support of the sub-sector but also the wider debate on policy coherence for development.

Kiyo Akasaka,
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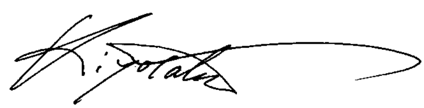

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Abbreviations and Acronyms

ACA	Association Cotonnière Africaine *(African Cotton Association)*	Benin
ACP	Africa Caribbean Pacific (Group of States)	
AfDB	African Development Bank	Tunisia
AOPP	Association des Organisations Professionnelles Paysannes *(Association of Professional Peasant Farmers' Organisation)*	Mali
ATSD	Agricultural Transformation and Sustainable Development Unit (SWAC/OECD Secretariat)	
AGOA	African Growth and Opportunity Act	United States
AOC	Afrique de l'Ouest et du Centre *(West and Central Africa)*	
APROCA	Association des Producteurs de Coton Africains *(Association of African Cotton Producers)*	Benin
AU	African Union	Ethiopia
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest (*Central Bank of West African States*)	Senegal
BOAD	Banque Ouest-africaine de Développement (*West African Development Bank*)	Togo
Bt	Bacillus thuringiensis	
CDE	Centre pour le Développement de l'Entreprise *(Centre for the Development of Entreprise)*	
CEMAC	Communauté Économique et Monétaire de l'Afrique centrale (*Central African Monetary and Economic Community*)	RCA
CFDT	Compagnie Française de Développement des Textiles *(French Textile Development Company)*	France
CILSS	Comité Permanent Inter-États de Lutte contre la Sécheresse dans le Sahel *(Permanant Inter-State Committee for Drought Control in the Sahel)*	Burkina Faso

CIRAD	*Centre de Coopération Internationale en Recherche Agronomique pour le Développement (French Agricultural Research Centre for International Development)*	France
CMDT	*Compagnie Malienne des Textiles (Malian Textile Development Company)*	Mali
CMA-AOC	Conférence des Ministres de l'Agriculture de l'Afrique de l'Ouest et du Centre *(Conference of Agriculture Ministers of West and Central African Countries)*	
CNCA	*Caisse Nationale de Crédit Agricole*	Burkina Faso
CNEARC/ INRA	*Centre National d'Études Agronomiques des Régions Chaudes/Institut National de Recherche Agronomique*	
CTA	Centre Technique de Coopération Agricole et Rurale ACP-UE *(Technical Centre for Agricultural and Rural Co-operation ACP-EU)*	Netherlands
DAC/OECD	Development Assistance Committee of the OECD	France
DCD	Development Co-operation Directorate of the OECD	France
DFID	UK Department for International Development	United Kingdom
ECOLOC	*Économie Locale (Revival of the Local Economies Programme)*	
ECOWAP	ECOWAS Agricultural Policy	
ECOWAS	Economic Community of West African States	Nigeria
ERAN	Environmental Rights Action of Nigeria	
EU	European Union	Belgium
FAO	Food and Agricultural Organisation of the United Nations	Italy
FUPRO	Fédération des Unions de Producteurs du Bénin *(Federation of Producers' Union of Benin)*	Benin
GCC	Ghana Cotton Company	Ghana
GDP	Gross Domestic Product	
GM	Genetically Modified	
GMO	Genetically Modified Organism	
ICAC	International Cotton Advisory Committee	United States

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ICTSD	International Centre for Trade and Sustainable Development *(Centre international pour le Commerce et le Développement durable)*	Switzerland
IDEAS Centre	International Trade Development Economic Governance Advisory Services Centre	Switzerland
IER	*Institut d'Économie Rurale*	Mali
IFAP	International Federation of Agricultural Producers	France
IFDC	International Fertilizer Development Centre	Togo Africa office)
IMF	International Monetary Fund	USA
LDC	Least Developed Countries	
MFA	Multi-Fibre Agreement (WTO)	
MIR	Marchés intra-régionaux *(intra-regional market)*	
NEPAD	The New Partnership for Africa's Development	
NGO	Non-Governmental Organisation	
OECD	Organisation for Economic Co-operation and Development	France
OHVN	*Office de la Haute Vallée du Niger*	
PO	Producer Organisation	
PRS	Poverty Reduction Strategy	
ROPPA	Réseau des Organisations paysannes et des Producteurs agricoles de l'Afrique de l'Ouest	Burkina Faso
SADC	Southern African Development Community	
SODEFITEX	*SOciété de DÉveloppement des FIbres TEXtiles*	Senegal
SOFITEX	*Société des Fibres Textiles* *(Burkina Textiles and Fibre Company)*	Burkina Faso
SWAC	Sahel and West Africa Club	France
SYCOV	Syndicat des Producteurs de Coton et de Vivriers	Mali
TICAD	Tokyo International Conference on African Development *(Conférence Internationale de Tokyo sur le Développement de l'Afrique)*	Japan
TNC	Trade Negotiations Committee (of the WTO)	
UNCTAD	United Nations Conference on Trade and Development	Switzerland

UNPCB	Union Nationale des Producteurs de Coton du Burkina Faso	Burkina Faso
USA	United States of America	
USAID	United States Agency for International Development	USA
WABI	West African Borders and Integration Network	
WAEMU	West African Economic and Monetary Union	Burkina Faso
WTO	World Trade Organisation	Switzerland

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Preface

Cotton has played a key role in the economic and social development in many West African countries over the last decades, and remains still today a significant source of income for many agricultural farms. Cotton production mainly relies on family farms cultivating small areas devoted to cotton (mostly less than 10 hectares) in diversified production systems and livelihoods. These farms indeed combine cotton production with staple food crop production and non-agricultural activities according to existing opportunities. The income generated by this cultivation plays a significant role in the fight against poverty.

Cotton is produced by nearly 3 million West African households and some 16 million people depend directly or indirectly on this cultivation. It is particularly important in the West African Sudano-Sahelian zones where alternatives to other cash crops as well as for non-agricultural income activities are limited. The expansion of cotton has contributed to the development of cereal cultivation.

The development of national sub-sectors, particularly in Francophone Africa, has created significant investments in economic and social infrastructure (roads, health centres and schools). On a macro-economic level, cotton contributes to between 3 and 10% of the GDP of Benin, Burkina Faso, Mali, Chad and Togo and less than 2% in other producing countries. This cultivation is almost totally exported, and places the West African region second behind the United States as exporters on the international market.

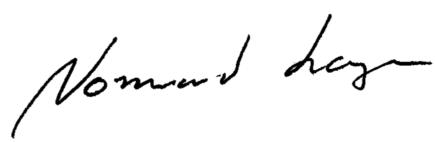
This explains why the Sahel and West Africa Club (OECD) places particular importance on the cotton issue in West Africa as much on aspects linked to production as those related to policy coherence. On 24 April 2003, at the end of the ECOWAS Ministerial meeting in Accra (Ghana), all ECOWAS members States jointly supported the Sectoral Initiative in favour of Cotton. ECOWAS obtained a clear mandate to extend and defend the proposition of four countries in the negotiations on cotton (Benin, Burkina Faso, Chad and Mali). At the same time, if ECOWAS is committed to promoting export crops within the Regional Agricultural Policy (ECOWAP), it also promotes strategies diversifying agriculture at the regional level in order to reduce risks and limit the impact of circumstantial shocks on the markets.

Within the framework of the international consultation process around the West African cotton crisis, the OECD's SWAC Secretariat played a facilitating role between actors of the North and South trying notably to:

- *Bring together, synthesise and share information as regards the place of cotton in West Africa.*
- *Create an area for dialogue and informed exchanges on cotton between OECD member countries and West African actors; it is within this context that a few days before the World Trade Organisation (WTO) Ministerial meeting in Cancún, following a request from West African actors (especially Enda Diapol), the SWAC organised a special event on cotton in West and Central Africa (WCA) at the OECD (Paris) on 2 September 2003. The Club also represented the OECD during the WTO's regional meeting in Cotonou in 2004 and co-organised another meeting on cotton with the DAC (OECD Development Assistance Committee) at the OECD in January 2005.*

This publication is the result of work undertaken by the OECD Sahel and West Africa Club Secretariat since 2003. It retraces the key events of the Sectoral Initiative in favour of Cotton since 2001, and sets out an analysis of the major stakes linked to the economic and social importance of cotton in West Africa. We hope that this publication will contribute to informing actors involved in this consultation process on the evolution, stakes and perspectives of cotton production and trade in West Africa.

Normand Lauzon,
Director of the Sahel and West Africa Club
(SWAC/OECD)



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Executive Summary

Cotton has played an important part in the economic development of many West African countries, and remains a key source of livelihood for many. Cotton has been grown in West Africa for over a century and a significant traditional textile industry has existed in the region for more than 50 years.

Cotton production in West Africa is entirely rain-fed and is often concentrated in semi-arid zones with variable rainfall. Most West African cotton is produced in Sahelian areas of land-locked countries (Burkina Faso, Mali, Chad) as well as Sahelian zones in coastal countries such as Benin, Ghana, Nigeria and Côte d'Ivoire which also make up important production areas. The CFA Franc zone, which has benefited from long-term investment in national state structures, produces almost 90% of the region's cotton.

West African cotton is produced using moderately low levels of inputs as compared to Northern producers and cheap family labour. It is handpicked and therefore of higher quality than machine-picked fibre in the North (longer fibres). This natural comparative advantage partly explains why cotton production dramatically increased over the last forty years.

West African production increased from 100 000 to 1 000 000 tonnes of cotton fibre between 1960 and 2005 and currently represents close to 5% of world production. Most West African cotton fibre is exported making West Africa an important actor on the international market. Currently West Africa is the second largest exporter of cotton fibres behind the United States. At the national level, the contribution of cotton to GDP varies according to country in West Africa. It provides 3 to 10% of GDP in Benin, Burkina Faso, Chad, Mali and Togo, and less than 2% in other cotton producing countries. Cotton exports generate significant resources for national economies in many West African countries. In Burkina Faso, it represents 56% of total exports and close to 30% in Benin, Chad and Mali.

Furthermore, in Cancún, these were the countries which argued that high export and production subsidies to cotton producers in the North were distorting cotton prices on international markets, dramatically lowering prices and hence incomes for their countries and cotton producers.

Given the economic and social importance of cotton in West Africa, the EU and the United States have undertaken several consultations and initiatives with the WTO in order to come to a global agreement on international trade negotiations before the end of 2006. At the end of the WTO Ministerial Meeting in Hong Kong in December 2005, a number of results were expected to be achieved, such as reducing agricultural subsidies, market access and improving development policies.

The Doha "Development Agenda" trade negotiations were suspended in July 2006, with WTO members agreeing that too much space separated a number of developed and developing countries on key issues. Agriculture was highlighted as the sector where the main blockage existed. Subsidies and support for production or export of agricultural products in developed countries remain a key point of contention between African and OECD member countries. The removal of subsidies to cotton is only one objective, but is considered important given their dampening effects on cotton prices. This problem could be addressed more rigorously and in a balanced way by WTO members to reduce the damage caused by price fluctuations in the agricultural sectors on which many poor countries depend. However, the risk is high that it will not be possible to revive this round of trade talks so that it can address these issues and be a powerful tool for poverty reduction. As Pascal Lamy stated at the breakdown of negotiations on 24 July 2006: "Failure of this Round would be a blow to the development prospects of the more vulnerable members, for whom integration in international trade represents the best hope for growth and poverty alleviation. This is why it is called 'the development round': it is intended to be a contribution to the Millennium Development Goals."

Subsidies to producers in the North are only one cause of volatile cotton prices. Other key factors include competition from new producers on the market, competition from synthetic fibres, development of cotton biotechnology, etc.

Within an increasingly strained national and international context, dependence on the exports of non-processed agricultural commodities is not the surest way to reduce poverty given price volatility, climatic variations and environmental risks. Ways must be sought to reduce the dependence of West African countries on the export of agricultural products and to encourage regional trade, transformation and diversification.

As regards transformation, in 2003/2004 the WAEMU launched an ambitious proposal to quickly develop cotton processing capacities by developing a regional textile industry. Thanks to the existence of regional organisations like ECOWAS, today it is possible to develop a protection strategy aimed at key regional products. This possibility exists within the framework of WTO rules and negotiations on international trade. It is foreseeable, in order to develop a regional economic structure, that West African countries produce and export cotton thread. As an example, Pakistan, one of the largest cotton fibre exporters during the 1980s is currently one of the largest exporters of cotton thread and a net importer of cotton fibre. This shift was possible while protecting the domestic market from imports and by devaluing the national currency.

Diversifying farmers' sources of revenue can only be beneficial over the long term, by adopting new crops or non agricultural activities. However, from an economic point of view, time and investment are needed in order to establish viable diversification sources especially in the Sahel. In the medium-term cotton should remain a very important product for the region.

Between 2 and 3 million West African households cultivate cotton on part of their small farms no larger than one hectare. Approximately 16 million people are estimated to directly or indirectly depend on cotton cultivation. Practically all cotton is produced on small family farms. It plays a very important role in the Sahel where, historically, there have been limited alternative cash crops.

Cotton production is generally one among many of farmers' agricultural and non-agricultural activities, and part of a diversified production system including notably cereals and vegetables, so as to meet farmers' consumption and income needs. Cotton is considered a "success story" of Sahelian agricultural development, contributing to the improvement of income, livelihoods and access to social services (education, health centres, pharmacies, etc.). It has also brought rapid increases in cereal production in some areas due to the cotton production support system (maintained by the State and national cotton companies) and the promotion of agricultural innovation. In zones having such a system, the cotton boom has been accompanied by an "agricultural revolution" which has enabled cereal production to improve and has had positive effects on pastoral and dairy production through the use of cotton by-products to feed cattle.

The introduction of agricultural biotechnology in West Africa remains controversial and the subject of passionate political debate in which numerous civil society organisations, NGOs and producers' organisations take part. Several NGOs and producers' organisations have campaigned against the introduction of biotechnology and more specifically against the use of genetically modified cotton. For these actors, modified living organisms threaten biodiversity and could not only contaminate other vegetable species but also undermine the balance of West Africa's ecosystem. Defenders of Bt cotton believe that Bt cotton provides economic advantages, that it could reduce the dependence as regards large international companies specialized in the marketing of pesticides and fertiliser, and that, according to several studies, Bt cotton presents no known risk for the environment nor public health. It would be important for these West African actors and decision-makers to establish a common regional position and approach as regards the introduction of biotechnology, notably of Bt cotton. With this in mind, the establishment of a regional monitoring and regulation mechanism for the introduction of biotechnology will be an achievement.

Concerning capacity building, historically the support provided by cotton companies or development agencies has facilitated the rapid development of powerful producers' organisations. The producers participate increasingly effectively in the development of regional and national agricultural policies, although producers' representatives do not systematically contribute to decisions made relating to the cotton sub-sector.

Finally, the issue of cotton production sustainability must also be examined from the following three angles:

- Economically: by strengthening access to inputs, supply and marketing; developing quality and traceability of products to ensure capacity with a view to marketing cotton internationally.
- Environmentally: by increasing soil fertility and the use of organic pesticides and fertilisers where feasible; and developing both regional markets for cotton products and international markets for cotton of African origin.
- Socially: by strengthening cotton producers' organisations; increasing participation of producers in international value chains; gender equality and equitable access to services and profits related to cotton production.

Given the importance of these issues for West Africa and the OECD, the SWAC Secretariat launched, in collaboration with regional partners, several initiatives in order to contribute to a constructive dialogue between West Africa and the OECD. These initiatives have focused on compiling information from a range of sources to help deepen the understanding of the importance of cotton for West Africa and the nature of the problems the sub-sector faces; highlight the perspectives of diverse West African actors involved in the sub-sector; and identify issues that need to be addressed to find solutions for the sub-sector. The consultations and analyses which have contributed to developing this document have emphasised some specific points that need to be given particular attention if future difficulties of the West and Central African cotton sub-sector are to be faced:

- The economic and social importance of cotton in West Africa must be recognised in any aspect related to the stakes of the cotton sub-sector and its role in the development of the region.
- ***Poverty reduction efforts in cotton production areas of West Africa*** and ***raising awareness of public opinion on the importance of policy coherence within wealthier countries in order to open up to development*** must be improved.

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- Specific measures are needed in order to ***improve the quality, effectiveness and competitiveness of West African cotton*** on international markets (in terms of cost of inputs, labour, yields, price, etc.).
- ***Prospects for rural diversification*** must be explored overtime and related upstream and downstream infrastructure developed. Diversification however will not resolve the current price crisis in the short or medium-term. Time is needed in order to develop other economically viable solutions, in particular in Sahelian countries where diversification possibilities remain limited.
- ***Developing processing capacity in the region,*** with the aim of increasing value added to cotton fibre, grain and oil products, is a key recommendation of the WAEMU. However, West African textiles may not be able to match the price/quality ratio of Chinese or other Asian textiles for a very long time, especially now that the textile trade quota system has been removed.

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Cotton in West Africa:
The Economic and Social Stakes

Chapter 1

Introduction

Hundreds of varieties of cotton grain exist in Africa, some of which are indigenous and have been traced back to the 10 and 13th centuries. Cotton has played an important part in the economic development of a number of West African countries and has remained a key source of livelihood for many. Cotton has been grown in West Africa[1] for more than a hundred years and a significant traditional textile industry has existed in the region for more than 50 years (see *e.g.* Gardi 2003). In recent decades, volumes of cotton produced have exponentially increased. For example, in Mali alone production has risen from some 61 000 tonnes in the mid-1970s to more than 500 000 tonnes per year in 1997.

When Chad and Cameroon are included, up to 3 million households are estimated to produce cotton in West Africa, and up to 16 million people are involved in cotton production, processing and trade in some way. According to UNCTAD, some 6 million people are directly involved in the cotton industry in the region.[2] Indeed, the region of West and Central Africa together is the world's 2nd largest exporter of cotton after the United States. Many observers have claimed that since the 1960s cotton has been one of the major successes in West African agriculture, perhaps even the key factor at the heart of economic development and an agricultural revolution in certain zones, particularly in Francophone Africa.[3] Cotton production has notably been linked to rapid increases in cereal production, pastoralism and milk production.[4]

Since 2003 and the stalemate at the World Trade Organisation (WTO) Cancún Ministerial meeting, West African cotton has become a priority issue in the "Doha Round" of international trade negotiations. In Cancún, Benin, Burkina Faso, Mali and Chad argued that high export and production subsidies to cotton producers in the North were distorting cotton prices on international markets, dramatically lowering prices and hence incomes for their countries and cotton producers.[5] The West African countries affected by the price fluctuation accordingly demanded the elimination of these subsidies and an intervention in their favour. No agreement on this point has been reached and West African cotton has become one of the major issues to resolve in order to conclude trade negotiations in the Doha Round. Since 2003, the EU and the United States have undertaken several consultations and initiatives with the WTO in order to come to a global agreement on international trade negotiations before the end of 2006. On 24 July, multilateral trade negotiations of the Doha "Development Round" were suspended because an agreement could not be reached which would satisfy both developing and developed countries.

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This report aims to inform all the actors involved in this process and in West African agricultural development on the background, evolution, prospects and stakes of West African cotton production and trade.

1. West and Central African cotton at the top of the agenda of international discussions

Three key factors have contributed to placing the difficulties facing the cotton sub-sector on the agenda of regional and international discussions.

- **On one hand, a "bottom up" approach, based on cotton producers' priorities and initiatives.** The first declaration related to the cotton sub-sector crisis was put forward by West African producer organisations in a meeting held in Bobo Dioulasso, Burkina Faso in November 2001.
- **On the other hand, a regional approach geared towards finding solutions.** A dialogue and consultation process between actors involved in the cotton sub-sector, initially facilitated by cotton producer organisations, and then strengthened by a regional approach supported by the four largest cotton producing and exporting countries in West and Central Africa with a view to defending their common interests.
- **The construction of alliances between different actors, based on areas of common interest.** The dialogue and collaboration around West African cotton is an example of a process based on alliances between African governmental and non-governmental actors and international actors. This dialogue is reinforced by:
    - consultations led by civil society (*e.g.* producer organisations, the private sector, and NGOs);
    - support for local initiatives by political decision-makers at the national level, with declarations by the Presidents of Burkina Faso, Mali, Benin and Senegal;
    - support for the cotton initiatives by regional organisations and banks (the BOAD and the BCEAO, the WAEMU, ECOWAS, and the AU);
    - the development of international coalitions. The G90 (group created in 2003 and composed of members of the African Union [AU], the African, Caribbean and Pacific Group of States [ACPs], and Least Developed Countries [LDCs]) and international NGOs such as ENDA and OXFAM have joined the regional organisations to support the West African "Sectoral Initiative promoting West African Cotton";
    - the support by some industrialised countries; and
    - technical and political support from regional and international experts as well as consultations organised by international organisations at several stages in the process (*e.g.* WTO, the SWAC/OECD, Development Assistance Committee/OECD, UNCTAD, etc.).

2. The main steps of the consultation process on cotton in West and Central Africa (2001-2005)[6]

At least nine major steps characterise the dialogue and negotiation process regarding the Sectoral Initiative to promote West African cotton.

1. ***First*, the initiatives and declarations of the West and Central African producer organisations (POs) (in particular the *Union Nationale des Producteurs du Coton du Burkina Faso* – UNPCB) served as a catalyst from 2001 onwards** in the debate on the impact of export subsidies on African producers. The POs (notably the UNPCB, ROPPA, and since late 2004, the AProCA) remain present and active in the regional and international debates on cotton.
2. In 2002-2003, the position of the POs from West and Central Africa was relayed and further developed by international NGOs, in particular by OXFAM, IDEAS Centre, ENDA-Tiers Monde, and the International Centre for Trade and Sustainable Development (ICTSD). The **in-depth analyses provided by these NGOs enabled more technical arguments in support of the Cotton Initiative.**
3. **In 2003, the call by POs and NGOs, strengthened by that of private sector ginners (notably the African Cotton Association – ACA) was heard by political decision-makers, partly because cotton is one of the important resources for generating foreign currency** for a certain number of West and Central African states. With cotton, the interests of producers and ginners strongly converge with those of the States. If the cotton sub-sector collapses, countries such as Burkina Faso, Benin, Mali and Chad would see a sharp drop in their already limited foreign currency revenues. **The call by producers and NGOs received political support from West African Heads of State** in Burkina Faso, Benin, Mali and Senegal, as well as **WTO Ambassadors to these countries and Chad.** In July 2003, a meeting ("the Saly Dialogue") was organised in Saly, Senegal bringing together various actors: NGOs (OXFAM, ENDA-Tiers Monde), producer organisations (ROPPA, UNPCB) APROCA, ACA, international and inter-governmental organisations (the SWAC/OECD, ICTSD), and four WTO ambassadors from countries having presented the cotton Initiative. This meeting's aim was to discuss concrete actions to be submitted at the Cancún meeting in order to find a solution to the cotton crisis in West and Central Africa. This meeting established the basis for a second meeting, Saly 2, which took place in May 2005 with a view to preparing the WTO's Ministerial Conference in December 2005. Organised with the support of OXFAM International and the UK Department for International Development (DFID), this meeting's theme was "Strategic exit from crisis proposals as regards the fall in international prices for the African cotton industry".
4. **Some industrialised countries,** for example, France, Germany, the Netherlands, Switzerland and Canada, have demonstrated an open-

mindedness regarding this Initiative and have supported analyses and dialogue forums. Argentina, Australia and the United Kingdom have expressed understanding of the Initiative.

5. In Africa, the Cotton initiative was supported and validated **in 2003 by regional organisations such as the WAEMU, ECOWAS and the African Union. The WAEMU also drafted a proposal for the development of the textile industry for a 25% increase in the regional cotton processing capacity by 2010**. Since 2002, the BOAD and the BCEAO have been involved in the regional strategic thinking on the problems facing the cotton sub-sector in West Africa.
6. **Beyond the African continent, the Initiative was supported and validated by all the Least Developed Countries** at their meeting in Bangladesh (Dhaka, June 2003). The Dakar Declaration (Senegal) in May 2004, during the third meeting of Trade Ministers from the Least Developed Countries (LDC) reaffirmed their support for the Sectoral Initiative on Cotton.
7. Although the so-called “development aspects” of the issues related to the cotton sub-sector in West Africa are not covered by the WTO's mandate, its member States, after the impasse at the Ministerial meeting in Cancún, asked its Secretariat to organise an Africa regional workshop on these development dimensions of cotton in response to the Sectoral Initiative on Cotton by the 4 countries. This appeal was made after the failure of the “Doha Round” negotiations during the WTO Ministerial conference in Cancún. At this time, the WTO was unable to respond to the demand set out in the West African Initiative on Cotton. The meeting organised in Cotonou by the WTO in March 2004 was the first of its type. Its aim was to bring together all African cotton-producing countries and the main development partners in an effort to identify the possibilities and appropriate framework for technical and financial assistance for the cotton sub-sector. The regional workshop was, on one hand, further proof of the importance of the stakes surrounding cotton for West and Central Africa countries and for the WTO. On the other hand, this meeting demonstrated that the request by the 4 countries had been taken into account formally by the international institutions and development partners. Indeed, the meeting gathered international organisations such as the FAO, AfDB, the World Bank, and ICAC. The IMF also participated at this meeting. At the end of this meeting, the WTO set up a consultative committee on cotton which would meet regularly. This committee includes the main countries involved in cotton production as well as experts from international organisations.
8. **The European Union (EU) organised a European Union-Africa forum on cotton (July 2004)**. This Forum aimed at setting up an EU-Africa partnership on trade and development aspects linked to cotton. At the end of this Forum, **an**

Action Plan for the implementation of an EU-Africa Partnership on cotton was proposed. This framework stipulated *i)* the activities envisaged; *ii)* the institutions in charge of implementing each activity; *iii)* the expected results, the level of implementation and the institution responsible (PO, Government, regional or international institutions). In 2004, an initial budget of €15 million was allocated by the EU for activities foreseen within the framework of this partnership. Japan granted support to the cotton sub-sector at the request of Benin in July 2004. The United States has underscored the availability of funds such as the Millennium Challenge Account. USAID carried out a mission in a few West African countries at the end of 2004 in order to identify the state of the cotton sub-sector and the support needed for its development.

9. **The workshop on the development dimensions of African cotton, organised by the OECD's Development Assistance Committee (DAC) and the Development Co-operation Directorate (DCD), with the support of the SWAC Secretariat, held on 28 January 2005 in Paris at OECD Headquarters,** was an important step in international discussions with a view to finding a solution to the crisis in the cotton sub-sector in West and Central Africa, while encouraging better coordination between development partners. During this meeting, the interdependence between development-related aspects and trade-related issues was recognised and **the importance of finding solutions for both aspects was underscored.** The meeting also provided an opportunity to involve the main actors from West Africa in the debates at the OECD (for example ECOWAS, the WAEMU, ROPPA and UNPCB) in order **to promote an open dialogue geared towards finding solutions** between West African actors and OECD members countries. It also enabled:
   - a better understanding of the stakes by all actors as regards cotton and the need to react in order to find viable solutions related to trade and "development" in the short, medium and long term;
   - the EU and the USA to commit to better coordination and coherence of their trade and development aid policies in order to support the African cotton sub-sector;
   - the emphasis needed to make real progress in terms of concrete actions before the WTO ministerial meeting which took place in December 2005 in Hong Kong.

10. **The Doha "Development Agenda" trade negotiations were suspended by WTO members** because gaps between key players remain too wide. Heads of delegations at an informal meeting of the Trade Negotiations Committee on 24 July 2006, agreed with WTO Director-General Pascal Lamy that this will be a setback for all members. The fact that negotiations are suspended will have a clear impact on cotton producers in Africa as there is no obvious route to exercising leverage to achieve compensatory measures or changes in policy

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via a multilateral institution[7] It now seems unlikely that negotiations will resume anytime soon and thus the African cotton sub-sector will remain at a status quo – if not losing due to the failure to achieve any change in the international context or policy framework.

3. Results of the sectoral initiative on cotton

In the WTO's 2004 July Framework Decision, all sides agreed the need to resolve the West African cotton issue through the agricultural trade negotiations at the WTO and for the implementation of appropriate accompanying development assistance measures. This decision aimed at restoring confidence in the Doha Round negotiations by WTO members and integrating African countries into the agriculture negotiations by ensuring that a special effort would be made to resolve the cotton issue rapidly. It also confirmed the willingness of WTO members to work towards gradually removing price-distorting subsidies in agriculture.

A further WTO ruling in autumn 2004 stated that many of the agricultural support measures provided to US and EU farmers in the cotton and sugar sub-sectors were against WTO regulations, encouraged overproduction and artificially lowered international prices with harmful effects on developing country producers. Within this context, in 2005 a number of initiatives were well underway that brought together African states and developed countries in an attempt to address the fundamental issues behind the cotton crisis. In parallel, a growing number of OECD member countries and the OECD itself became concerned with fostering greater coherence between trade and agricultural policies to ensure that trade policies support rather than undermine development and poverty reduction objectives.

Many negotiations within and outside the WTO and the understanding by all international actors of the economic and social importance of African cotton enabled significant progress to be made on the cotton issue at the Ministerial meeting held in Hong Kong in December 2005. At the end of this Ministerial meeting, priority was given to obtaining the following results:

- all forms of export subsidies for cotton will be eliminated by developed countries in 2006;
- on market access, developed countries will give duty and quota free access for cotton exports from least-developed countries (LDCs) from the commencement of the implementation period;
- members agree that the objective is that, as an outcome for the negotiations, trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable.[8]

At the same time, the Ministerial Declaration stressed the need for bilateral donors along with multilateral and regional institutions to strengthen policy coherence and coordination and establish a mechanism dealing with the loss of revenue in the cotton sector until subsidies have been removed.

As concerns internal subsidies, the four authors of the cotton proposal (Benin, Burkina Faso, Mali and Chad) have, however, clarified their position in a new document which was examined by the WTO Cotton Sub-Committee on 2 March 2006. This document proposes a new approach for the progressive elimination of internal support having trade-distorting effects.

Although multilateral trade negotiations of the Doha "Development Round" were suspended, the entire process demonstrates significant progress. West African countries with the collaboration of civil society representatives and professional organisations have been able to be involved in policy discussions and to influence decisions made within international bodies. The process undertaken within the WTO indicates that a regional understanding is needed, even crucial, in order to maximize and capitalize on the cotton sub-sector's contribution to economic development and the improvement of livelihoods in West Africa.

The challenges faced by the cotton sub-sector in Africa are, however, complex. Subsidies in the North are only one cause of low cotton prices. There are other determining factors such as the increase of cotton production worldwide[9] (US exports should reach 3.1 million tonnes in 2005/2006, as compared to 1.5 million in the five preceding years) and the arrival of new country producers on the market, technological innovations, limited ways to tackle parasites, the biotechnology increase among producers of the North, Asia, South America, and South Africa. Due to this, the cotton growing areas should only decrease 1.5% in 2005/2006, remaining the second largest global crop in terms of surface area since the last ten agricultural campaigns.

As regards demand, the expected surpassing of Chinese imports, which could increase from 1.4 million tonnes in 2004/2005 to 2.8 million tons this season, seems to be favourable to the rise in cotton pricing having reached around 62 cents a pound in 2006. In the medium-term, taking into account the likelihood of an increase of Chinese textile exports following the end of the Agreement on Textiles and Clothing (ATC), global demand and international fibre trade could be supported. But at the same time, cotton's share of total global fibre consumption seems to be decreasing: it has gone from 60% in 1960 to 40.4% in 2001 and to 38.1% in 2005, the result of increased competition from synthetic fibres.[10]

4. The role of the Sahel and West Africa Club/OECD in the process

Given the importance of these issues for West Africa and the OECD, the SWAC Secretariat was requested by its regional partners to undertake initiatives that would contribute to constructive dialogue between West Africa and the OECD. These initiatives have focused on compiling information from a range of sources to help deepen the understanding of the importance of cotton for West Africa and the nature of the problems the sub-sector faces, highlight the perspectives of diverse West African actors involved in the sub-sector and identify issues that need to be addressed to find solutions for the sub-sector. In accordance with the mandate of the Sahel and West Africa Club to foster dialogue between West Africa and the OECD on strategic issues facing the region's development,[11] the SWAC's work on cotton has aimed to assist actors in identifying concrete actions needed to address both development and trade-related aspects of African cotton. This has been done with a view to finding solutions that build on and maximise the economic and social contribution of cotton production in the region, that support African development and at the same time strengthen the multilateral rules-based trade system for the benefit of all actors.[12]

As part of this process, the SWAC Secretariat prepared a series of briefings and actively participated in a wide range of events on cotton and policy coherence from 2003-2005 at the international (*e.g.* WTO, EU, IFAP, etc.) and regional (*e.g.* ROPPA, Saly consultation between NGOs and government representatives) levels and at the OECD. Throughout its work on the challenges facing the cotton sub-sector since 2003, the SWAC Secretariat has sought to:

- provide opportunities for informed dialogue on cotton between OECD members and West African actors while at all times playing the role of an impartial facilitator of debate;
- bring together, synthesise and share diverse information on the place of cotton in West Africa;
- highlight the priorities and perspectives of West African actors regarding cotton, and its place in producer livelihoods, its role in the broader transformation process of West African agriculture and its contribution to West African economies in the region;
- use this information to foster dialogue among West African actors, OECD members and the international community on options for action.

This overview has been drafted to underpin the SWAC's contribution to international debate. It assesses:

- ***the evolving importance of cotton production and trade in West Africa over recent decades;***
- ***the changing place of cotton in farmers' livelihoods;***

- ***the contribution of cotton to West African development;***
- ***the strategic issues to be considered as actors determine the most appropriate actions to be undertaken in the sub-sector,*** taking into account the need to consider adaptation to a changing context while maximising the contribution of cotton to West Africa's broader development.

While it is important to mention the effects of subsidies on the evolution of cotton prices on the international market in order to illustrate the general situation of the West African cotton industry, ***this document does not attempt a detailed analysis of cotton prices, price trends and the impacts of subsidies*** as this has been undertaken by other more competent analysts (see for example, Goreux 2003, Baffes 2004, Oxfam 2002, and publications by ICAC).

This document sets out a regional perspective on the major economic and social characteristics of West African cotton, being based on national and local data in order to illustrate this idea. The data on cotton production in West Africa contained in this report should also be useful to inform Africa-wide cotton sub-sector initiatives currently underway or in the process of being developed.

Finally, this paper draws on and complements the extensive materials available on the SWAC Secretariat's web-pages devoted to cotton (*www.oecd.org/sah* – click on cotton).[13] This site provides links to materials from diverse regional and international actors, ongoing consultations with West African governments and regional organisations (*e.g.* ECOWAS, the WAEMU, the CILSS), private sector (*e.g.* ACA), producer networks (*e.g.* ROPPA, UNPCB) and international agencies on regional agriculture priorities and cotton. It also draws on the SWAC's work on the transformation of West African agriculture (available at: *www.sahel-club.org/en/agri/index.htm*), field studies in cross-border cotton production zones (see *www.afriquefrontieres.org*), as well as joint work with other OECD Directorates on the impacts of trade and agricultural policies in West Africa, policy coherence for development, and the Development Assistance Committee's (DAC/OECD) work on donors best practices.

Notes

1. In keeping with the SWAC's mandate, West Africa is taken to include the 15 ECOWAS member States and Cameroon, Chad and Mauritania.
2. *http://r0.unctad.org/infocomm/anglais/cotton/sitemap.htm#references*.
3. See for example, Tefft, J., 2004, "Building on successes in African agriculture. Mali's white revolution: Smallholder cotton 1960-2003". Michigan State University. Focus 12 April. *www.ifpri.org/2020/focus/focus12/focus12_05.pdf*.
4. On the links between cotton and milk production in the SODEFITEX cotton production zone in Senegal, see, for example, Aurore Gaulier (2005) "Étude des innovations dans les ceintures laitières périurbaines de haute Casamance (Sénégal)". Dissertation CNEARC/INRA. For AFDI. January. This study indicates the

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role of cotton in promoting the progressive intensification of livestock production including use of cotton seed for feed and training provided to farmer groups by SODEFITEX.

5. This position is also that of the ICAC Secretariat which states that "removal of subsidies worldwide would result in average international cotton prices 5 cents higher than realised in 2002/03 and 2003/04, and production would shift to non-subsidizing countries in the medium and long terms". Estur: *www.icac.org/cotton_info/speeches/estur/2005/beltwide_05.pdf*.

6. See Annex for more details.

7. See: *www.wto.org/english/news_e/news_e.htm*.

8. See WTO Internet site: *www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm*.

9. For example, in 2004/2005, global cotton production should reach a record 25 million tonnes, or an increase of 4.2 million tonnes or 20 % more than the preceding season, according to a ICAC Press Release dated 3 January 2005.

10. See: *http://r0.unctad.org/infocomm/anglais/cotton/uses.htm*.

11. See "Note on the Sahel and West Africa Club" above. More information can be found on the SWAC web pages: *www.oecd.org/sah*.

12. See Peter Holmes "In defence of the WTO: Hard rules are better than no rules at all" in *Insights: Development Research* No. 49 December 2003 (*www.id21.org*).

13. These web pages are updated from time to time with new material on cotton in West Africa. If you would like us to consider including additional material on these web-pages, please send contributions to: *leonidas.hitimana@oecd.org*.

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Cotton in West Africa
The Economic and Social Stakes

Chapter 2

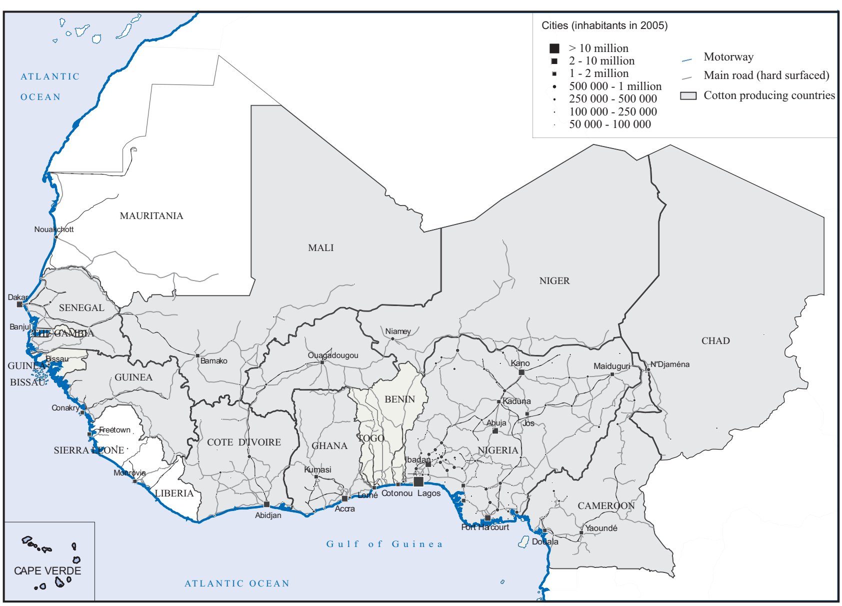
The Strategic Importance of Cotton Production and Trade in West Africa

1. The SWAC's perception of West Africa

The West Africa region covered by this paper includes all 15 ECOWAS member States,[1] Mauritania, Cameroon and Chad: 18 countries in total (see map below). This region therefore includes the key cotton producing countries in Central Africa included in the West and Central Africa sectoral initiative on cotton, submitted to the WTO in 2003.

In 2003, there were approximately 290 million inhabitants in West Africa, which is approximately 43% of the population of Sub-Saharan Africa. This represents 4.6% of the world's population, 64% of the population of the European Union, roughly equivalent to that of the United States and 2.2 times the population of Japan. West Africa is characterised by a process of rapid demographic, social, agricultural and economic transformation. The population is growing faster than anywhere else in the world and may reach 600 million by 2050. Any action to support the development of agricultural sub-sectors

Figure 2.1. **The West Africa Region covered by the Sahel and West Africa Club**



Source: Atlas on Regional Integration in West Africa, ECOWAS/SWAC 2006, *www.atlas-ouestafrique.org*.

should keep the dynamics of this broader process transformation in view. The cotton producer countries in West Africa are highlighted in the map below.

2. Cotton and the dynamics of West African agricultural change

The SWAC's work on the Transformation of West African agriculture estimates that some 80% of West African agriculture is undertaken on small family farms varying from as small as 2 hectares to 10 hectares in size (see Toulmin and Guèye 2003). These farms depend largely on household labour and farmers opportunistically switch types of production over time to manage risk and adapt to changing constraints (*e.g.* climate, soil quality, etc.), opportunities (new urban markets, processing and marketing possibilities, etc.), and shocks. Family farms generate some 30-50% of national GDP in West Africa – depending upon the country – and in some countries they generate the largest export revenues. They also produce almost all of the region's staple food crops, oilseeds and cash crops although they are important consumers of diverse imported fruit, vegetables and processed foods.

The SWAC's work on trends, dynamics of change and prospects in West African agriculture confirmed the strategic importance of cotton in the regional agricultural transformation process. Furthermore, a close link exists between cotton production and cereal production in West Africa and other regions of Africa. Significant expanding population and rapid urbanisation have increased regional demand for agricultural products. West African farmers have demonstrated their capacity to respond to increased demand for staple foods and cereals, illustrated by cereal production having kept pace with rapid population growth and demand over the last 40 years. This is explained as most cotton is produced on family-run farms that combine diverse agricultural and livelihood activities.

Between 2 and 3 million households in West and Central Africa cultivate cotton on part of their small farms, usually on small family plots usually no larger than 1 hectare in size. Cotton production in West Africa is entirely rain fed and often concentrated in semi-arid areas with variable rainfall (Pursell and Diop 1998). ***Up to 16 million*** people are estimated to directly or indirectly benefit from the impacts of cotton production. Practically all cotton is produced on small family farms almost exclusively as ***a cash crop*** designed to meet a household's cash needs for both consumption and investment which is particularly important where historically there have been limited alternative cash crops, with cocoa and other sub-humid cash crops dominating the coastal zone. Cotton production is usually ***one activity that is normally part of a diverse production system*** involving the production of cereals, vegetables and other activities that are designed to satisfy farmers' consumption and income needs.

This contrasts strongly with the situation in the US or Europe where a smaller number of more specialised farmers produce cotton on large, highly mechanised farms characterised by high input use. For example, in the US there are only some 25 000 cotton farmers that produce cotton on farms that are sometimes over 100 ha in size. In Europe, average farm size might be smaller but the pattern of input use is equally high.

West African cotton is produced using moderate levels of inputs compared to Northern producers and relatively cheap family labour; it is hand-picked and therefore of higher quality than machine-picked fibre in the North (longer fibres). Due to this price/quality ratio West Africa could be expected to have a natural comparative advantage in producing cotton. This comparative advantage partly explains why the production of cotton dramatically increased in terms of area cultivated and volume produced over the past forty years. Indeed, cotton has been seen as one of the key "success stories" in Sahelian agriculture where it has contributed to the improvement of incomes, livelihoods, and access to social facilities (education, health centres and pharmacies, etc.). It also correlates to rapid increases in cereal production thanks to the cotton production support system (maintained by the state and national cotton companies) and its promotion of innovation processes. In zones that have benefited from the cotton production support system, a cotton boom might have been accompanied by an agricultural revolution that contributed to increased cereal production. This is confirmed by work undertaken by the SWAC on structural trends in West African agriculture. This agricultural revolution has no doubt been stimulated to some extent by the use of inputs intended for cotton on cereal crops, but also on an institutional evolution that enabled a technical revolution to take place. Furthermore, work undertaken at CIRAD suggests that as cotton does not call for specific cultivation techniques and equipment, this automatically induces a positive spill-over effect on food crop production by making labour and resources available.[2] It seems that the cotton production support system, with its associated institutions and technological support, contributed to a process of extensive use of land accompanied by intensive production of cereals as cash crops to supply urban markets. The social evolution in villages and extended household are also responsible for this extension of cultivated land: young people leaving their elders to set up their own farms have had to clear new land.[3]

Since the 1940s, cotton production has guaranteed an important source of cash income for producers in semi-arid zones where there are limited alternative income opportunities. To address this, cotton companies promoted maize as an alternative cash crop. Maize, however, competed against cotton when it was also provided a pre-determined purchasing price. Cereal market liberalisation in the 1980s modified the economic context and led farmers to be more committed to cotton, encouraged by the success in linking producers to exporters and importers and the fixed price that allowed farmers to be able to predict incomes earned to some degree. Governments played their role in this process by guaranteeing purchasing price.

Burkina Faso provides an example of the national cotton support systems established in cotton-producing countries under colonial administrations in order to ensure continuity between upstream (inputs supply, extension) and downstream aspects of production (collecting and marketing). Cotton producers have benefited from credits from the national cotton company, SOFITEX, and the national agricultural credit bank, CNCA, to purchase inputs such as fertiliser, pesticide and herbicide. Short term loans to cover the pre-harvest period and loans to purchase ox-ploughs have also been made available to cotton producers in recent years (Government of Burkina Faso 2001).

The case of Mali is even more striking. From the 1980s, there was a concerted effort between producers, cotton companies and rural credit funds to establish an effective cotton production support system. The BNDA (Banque Nationale de Développement Agricole) was the key source of credit for producers in rural areas, offering a package of services to individual producers. This was complemented by the activities of the parastatal company, the CMDT (Compagnie Malienne de Développement des Textiles) based on the model of the French CFDT (Compagnie Française de Développement des Textiles). Since Mali's independence, the CMDT has undertaken the coordination of the sub-sector from providing inputs to producers to collecting and trading cotton. It has also attempted to address constraints faced by producers and assist in the formation and training of village associations – some of which have become effective producer organisations. The CMDT thus claimed to play a role both as an economic operator while also promoting social development in cotton production zones. The efficiency of CMDT's activities has been questioned in recent years and a number of reforms have been initiated. Here, most importantly the development process in Mali's cotton-producing zones has been based on an alliance between rural finance institutions, cotton companies, producer organisations, the ginning industry and other local organisations that are linked to local cotton via secondary means, *e.g.* blacksmiths associations. These alliances built over time were critical to the movement that led to effectively placing the difficulties faced by the West African cotton sub-sector at the top of national, regional and international trade and agricultural policy agendas from 2002 onward (Hussein K., Hitimana L., Perret C. (2005), SWAC Secretariat, Paris).

The competitiveness of West African cotton has been questioned in recent years. Dramatic price fluctuation and losses in foreign exchange earning capacity have also been factors pushing governments and producers to increase cotton production in order to maintain income levels. Reliance on

Key questions

- Does field evidence confirm that in parts of semi-arid and Sahelian West Africa cotton really has been at the heart of an agricultural revolution based on institutional development, technical change supported by coordination of upstream (*e.g.* inputs, agricultural services, etc.) and downstream (*e.g.* marketing, social service provision, etc.) support to producers? Where have there been failures and inefficiencies? How has this affected development and poverty reduction objectives in these zones?
- What combination of policy measures and aspects of the support system in cotton zones best account for this? What implications should this have for policy reform processes in cotton zones and for strategies to promote rural development and an agricultural revolution in West Africa?
- If the cotton sub-sector collapses in West Africa due to price volatility, what will be the likely impacts on livelihoods, access to services, cereals availability, poverty reduction and other development multipliers? How many people will be affected?

export crops and primary commodities is clearly not a secure route to poverty reduction due to price volatility and environmental risk among other factors.

An official from the International Cotton Advisory Committee (ICAC) has argued that eliminating contamination is potentially the best way to improve the competitiveness and the selling price of cotton in West Africa (personal communication – 2005). Contamination of West African cotton lint by foreign matters (other than leaves and bark – mostly plastic strings) during picking and storage offsets the comparative advantage.[4] Some spinners have refused to buy hand-picked cotton due to such problems hence demand for West African cotton has decreased in international markets.

In areas of the Sahel cotton is one of the only viable cash crops for small farmers and the collection system organised by cotton companies for a seasonally fixed price has been one of the more secure sources of cash income. Given the ***vulnerability*** of cotton production and trade to external factors in the international economic system and price variability, clearly farmers will benefit from the diversification of income-earning opportunities over the long-term – whether that be through new crops or non-agricultural activities. However, it will take time and investment to develop economically feasible diversification opportunities, particularly in the Sahel, hence cotton is likely to remain important in the short term.

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Key questions

- What economically viable opportunities for diversification exist for cotton producers in the current regional and international economic context, particularly those in the Sahelian zone of West Africa?
- What might be a realistic timescale for profitable alternative sources of cash income to be identified and identify systems to ensure equitable access for small farmers to be established? What kind of material support and investment will be required in the transition process?

3. West African cotton: the regional level

Cotton has been cultivated for over a century in the Sahelian and Sudanian savannah zones of West Africa in both coastal and landlocked countries. It is produced all across the sub-humid and semi-arid zones in areas benefiting from 500-700 mm to 1 200/1 500 mm annual rainfall. Its cultivation at low latitude in Togo and Benin is the result of the southern descent of the 1 200 mm isohyet in West Africa (see map below). Cotton production has rapidly increased over recent decades in West Africa rising from some 150 000 tonnes of cotton lint in the 1970s to around 500 000 tonnes in the 1990s and over 1 million tonnes of cotton lint in 2003-2004.

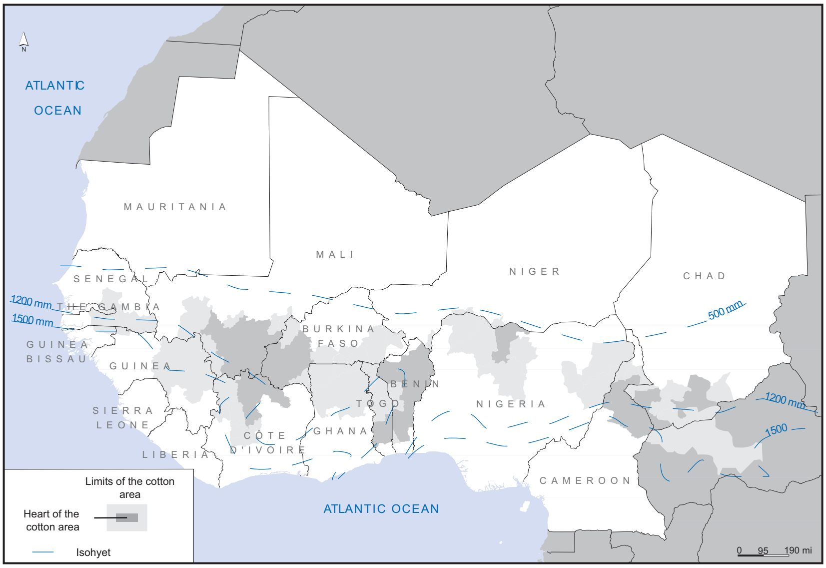
Most West African cotton is produced in Sahelian areas of West Africa, although a significant amount is also produced in the inland areas towards the Sahelian zone of coastal countries such a Benin, Ghana, Nigeria and Côte d'Ivoire (see map below). ***There are four large cotton areas*** in West Africa:

- Mali/Burkina Faso (Western region)/Côte d'Ivoire;
- Benin/Togo/Burkina Faso (Eastern region);
- Nigeria/Niger;
- Chad/Cameroon (and RCA).

The Francophone zone, which has benefited from long-term investment in terms of national structuring of basic product chains, produces close to 90% of the cotton in the region. This commodity is particularly important for five countries where it represents 3 to 10% of the GDP. The remainder is for the most part produced in Nigeria and, less so in Senegal and Ghana. Cotton production in other countries is comparatively limited in Niger, Guinea, Guinea-Bissau and The Gambia.

The ***regional*** importance of cotton is underlined by the fact that cotton is cultivated to some degree in all eight member states of the West Africa Economic and Monetary Union (WAEMU) making a significant contribution to national foreign exchange revenues in many cases. It is also produced in several

Figure 2.2. **Cotton production in West Africa: A regional view**

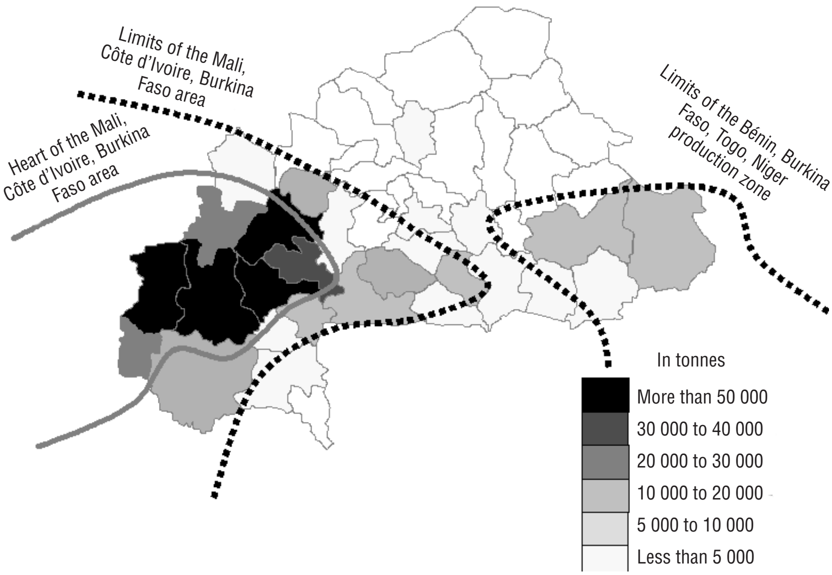


Source: Atlas on Regional Integration in West Africa, ECOWAS/SWAC 2006, www.atlas-ouestafrique.org.

ECOWAS member States, with countries such as Nigeria and Ghana being significant producers.

The map below illustrates cotton production areas going beyond State borders (see Figure 2.3). However, within these zones applicable cotton production and trade policy frameworks vary, notably in terms of the impact on cross-border circulation of goods; access to extension services, training, input and trade supplies, pace of reforms at the distribution level between the public and private sector in the cotton sub-sector of Burkina Faso, Mali and Côte d'Ivoire. These policy differences can create market distortions and prevent actors from capitalising on their comparative advantage and benefits of complementarities between countries. The map suggests that further examination of the potential for ***developing more inter-country complementarities in West Africa on cotton sub-sector policies and management systems to ensure the maximum benefit is drawn from synergies and policy coherence*** should be considered. This could be undertaken with support from the regional organisations, *i.e.* the WAEMU and ECOWAS which have already launched some initiatives in this direction, and through the ECOWAP (ECOWAS agricultural policy). The role of regional organisations in stimulating such cross-border synergies will have to carefully complement that of private operators in the post-privatisation context.

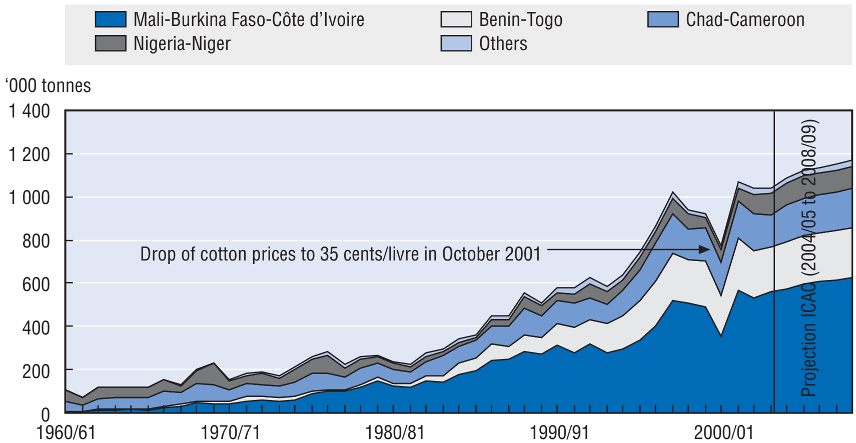
Figure 2.3. **Cotton production areas in Burkina Faso (2002)**



Source: Atlas on Regional Integration in West Africa, ECOWAS/SWAC 2006, www.atlas-ouestafrique.org.

Cotton has been one of the most important "success stories" in agriculture in the Francophone Sahelian countries in particular. In countries colonised by Belgium and France in West and Central Africa cotton promotion programmes were introduced and cotton became a central part of the national economy in the 20th century. For example, cotton has been a critical part of the Burkina Faso economy and society before colonisation, providing cloth for daily use and clothing. Similarly, in Mali, the historic importance of cotton is illustrated by the example of Gao with its workshops to manufacture cotton cloths. Also, in the Belgian Congo, cotton production has been promoted with impressive results since the 1920s. The European Community supported development of the cotton sub-sector and the World Bank complemented this effort by launching cotton promotion programmes in Burkina Faso and elsewhere in the region during the 1970s (World Bank 1988). Cotton was promoted by parastatal companies whose multiple agricultural support activities contributed to improved livelihoods in cotton production zones. In the 1990s, governments in the region continued their support programmes for the cotton sub-sector via the supply of credit, inputs, extension and research services and support for marketing normally through national cotton companies often majority-owned by the State (*e.g.* SOFITEX, Burkina Faso; CMDT, Mali; Ghana Cotton Company, Ghana). Governments were keen to strengthen the contribution of cotton export revenues to national budgets. While governments paid a fixed

Figure 2.4. **Dramatic increase of cotton lint production in the four main zones of West Africa (1961-2006)**

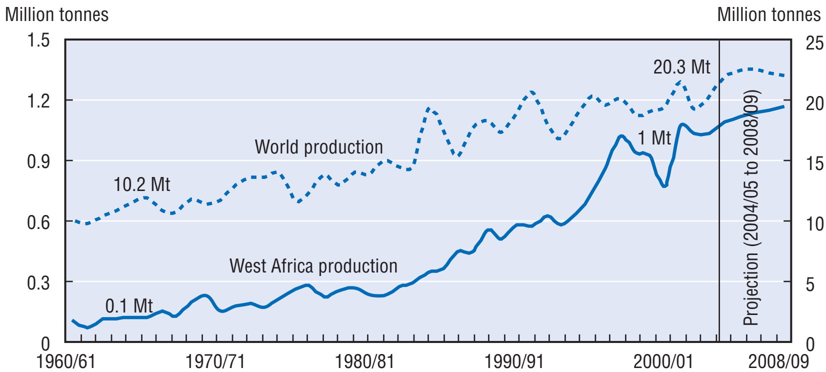


Source: SWAC (using ICAC data).

purchase price for cotton and contributed to service provision, they were not the only actor to cover the costs of the process: this is a good example of inter-professional cost sharing (Fok).

The rapid increase of cotton production over the last two decades is to some degree linked to the process of economic liberalisation that was implemented as from the 1980s. Prices increasingly reflected international fluctuations and support for input use began to decline in the late 1980s, being completely abolished at the beginning of the 1990s. The need to maintain revenues and purchasing power in a context of lower prices coupled with the promotion of equipment to improve productivity via externally-supported credit schemes (*e.g.* for Mali, schemes supported by France, The Netherlands and the World Bank) provided farmers with the incentive to increase production. This has occurred in all four main production zones identified above, with overall production rising from about 150 000 tonnes in the 1970s to over 1 million tonnes per year in the early 2000 (fibre, lint and seed counted together – but with seed accounting for only 5-10% of exports). Production of cotton fibre in 2003/2004 reached 1 037 000 tonnes (ICAC 2004). Most of this dramatic increase in production in recent decades has been achieved by expanding the area of land on which cotton is grown rather than through intensification (*e.g.* input use per hectare) as production levels have been stagnant or falling in recent years (see Figure 2.6 below). This expansion can also be temporary as data indicates that farmers are very responsive to pressures and opportunities. When cotton prices fell in the early 1990s, farmers in Burkina Faso reduced the

Figure 2.5. **West Africa's increasing cotton lint production compared to the rest of the world**



Source: SWAC (using data from ICAC).

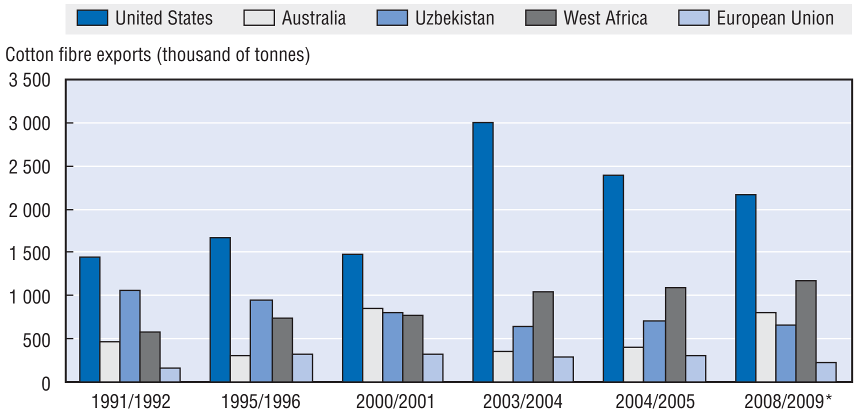
areas planted with cotton. Similarly, in the 2004-2005 season, they have replaced cotton with maize in some of their fields.

The bar chart below shows the breakdown of West Africa's share of world cotton exports in relation to other key producers. Over the last forty years, cotton exports from West African countries have developed very quickly. More rapidly than in other parts of the world, the average annual rate in the increase of West African cotton exports has been close to 6% per year since 1960. Only Australia has had such a significant increase, with an average annual increase in its cotton exports of nearly 11% during the same period.

Nevertheless, an analysis of the evolution of the international market over the shorter term shows a somewhat different picture. Over the last five years, South America, the United States and then Africa have proven to be the most active on the international market. Recently, Brazil has appeared as a dynamic actor whose exports could reach the same level in 2006 as that of Australia, with a volume of close to 450 000 tonnes.[5] On their side, United States exports have increased from 1.5 to 2.5 million tones, reinforcing their dominant position. Central Asian cotton exports are relatively weak. In the short and medium-term, the United States, West Africa and Central Asia could finally maintain their leading position on the international market.

Over the last 20 years, West African farmers have increased the land area allocated to cotton cultivation to preserve production levels in the face of liberalisation, and in order to maintain and improve incomes when confronted with a price reduction on the international market to levels that many producers felt were below the cost of production. This was a particularly important strategy during the late 1990s when increased consumption of synthetics, support for cotton production in the North and supply to international markets rose

Figure 2.6. **West Africa's share of cotton lint exports compared with major world cotton producers**



* Projection.

Source: SWAC (using data from ICAC).

substantially. In October 2001, the price of cotton dropped to 35 cents per pound – a level with which African producers found nearly impossible to compete given that they receive little protection from such price volatility in terms of agricultural support or other safety nets.

In this increasingly tense international and national context, ***reliance on export crops and primary commodities is clearly not a secure route to poverty reduction, due to price volatility, climatic and environmental risk among other factors.*** Opportunities for West African countries to reduce their dependence on agricultural commodity exports and to foster regional trade, processing and diversification therefore need to be sought.

A number of incentives exist for farmers to continue to produce cotton as a key route to cash income, particularly in the Sahelian zone of West Africa:

- a crop suited to climate (limited rain);
- natural comparative advantage given the low production cost and high quality of West African cotton fibre;
- existence of international demand;
- availability of a support infrastructure, agricultural and social services (*e.g.* extension, pharmacies, schools, etc.) and established marketing channels;
- until the crisis generated by the continuing fall of prices for cotton on international markets that emerged from the mid-1990s, West African cotton had been highly competitive at the international level in terms of production cost, quality and price;

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- perhaps, most importantly there are limited alternative cash crops suited to these zones for which there is sufficient market demand.

However, the situation is different in some cotton-producing coastal countries where cotton is not a major export commodity. For example, the northern region of Ghana, where cotton is produced, is poorer than the South where cocoa, a key export crop for the country, is grown. Historically, Ghanaian political authorities have shown less interest in promoting cotton than their counterparts in the West African Sahelian countries where cotton is a major source of greatly needed export earnings. Nonetheless, poor cotton producers in northern Ghana have for decades depended on the cash income, albeit limited, that cotton offers. Without it, their situation would be more precarious.

4. Regional cotton processing, textile industry and trade: capitalising on regional synergies

Most cotton seed by-products are processed in the region, for example, ***cotton oil*** and ***oil cakes for livestock feed*** produced using the unused parts of the cotton plant once the fibre has been extracted for export.[6] However, intra-regional trade of cotton and related products is not significant, limiting the scope for the development of this industry. Even cotton oil plants that exist have problems obtaining sufficient raw material required to keep factories functioning at the highest levels of efficiency due to informal barriers to intra-regional trade of cotton in certain border areas (*e.g.* between Benin and Nigeria).

Although a traditional textile industry and market has existed for a long time in certain countries such as Mali, Ghana and Nigeria (see Gardi 2003 and Igué 2003), few modern textile factories of regional scope exist in West Africa and virtually no West African textiles are sold outside the region. Several attempts have been made in the past to industrialise by establishing textile factories without much success. This limits the region's capacity to benefit from value-added derived from textiles and other products related to cotton processing, and makes it more vulnerable to price fluctuations for raw materials in international markets.

There may be some opportunities to develop this sector however, especially if regional demand were to grow. Nigeria in particular seems to have developed an efficient local cotton processing industry that uses the majority of cotton produced internally. Ghana once consumed most cotton lint produced in its local textile industry but this has since changed with incentives to encourage export and foreign exchange earnings. Employment related to the production of traditional cloth and clothing (spinning, dying, cloth-making, sales, etc.) is, according to one study by the Sahel and West Africa Club, the second largest employer in West Africa after agriculture. This study states that some 65 to

70% of artisans in Mali, 50% in Burkina Faso and 30 to 40% in Ghana are employed in the traditional textile industry (Igué 2003:285). Indeed, high regional demand continues to exist for the elegant traditional robes ("boubous") worn formally and for special occasions. However this market remains more regional than international and while of high quality, the products tend to be more expensive than many clothing imports from Asia and indeed more expensive than most local consumers can afford.

However, competition from cheap Asian imports and especially the legal trade and smuggling of second-hand clothes (*friperie*) is the major problem facing the development of the regional textile industry. Since the 1980s, cheap second-hand clothes coming largely from Europe, supported by a number of development NGOs, have flooded West African markets. Today donations of second-hand clothing to charitable organisations are then sold to private intermediary businesses who in turn sell this clothing to second-hand clothes shops. Approximately 32% of all second-hand clothing collected in the West are exported and most often to West Africa. At the end, one out of six pieces of clothing collected is resold on the African market.

This trade rapidly developed during the 1980s with the opening of markets and the initiation of structural adjustment policies by the International Monetary Fund (IMF) and the World Bank. This provoked a significant fall in West African consumers' purchasing power. This situation produced an "eviction effect", that is to say a substitution of textile manufacturing by imported clothing. Importation of low-priced textiles from second-hand clothing began at the beginning of the 1980s taking a considerable part of the market share to the detriment of local industrial textile development.

In Senegal, around 7 000 tonnes of second-hand clothing is imported every year, close to 70% in volume of the internal textile market (Perrin 2005). In Cameroon, second-hand clothing imports are estimated at 21 000 tons. The second-hand clothing market sharply increased during the 1990s so that in 1996-1997 it attained income equal to 60% of that of the national textile industry (Viallet 1998).

The consequences are that today only three out of the fifty textile industries that could be counted in West and Central Africa during the 1980s were still functioning by the end of the 1990s. All the others have gone bankrupt or are barely surviving. In Cameroon, the second-hand clothing market has put the clothing manufacturing industry out of business over the last ten years, a business which during the 1980s employed around 7000 people. Some businesses which are currently in trouble are operating in a limited market producing work clothes and school uniforms. It is the same in Senegal. Many local tailors who made pants, shirts and dresses to measure have been put out of business by the second-hand clothing market.

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It is important to note that at the regional level a significant consumers market exists which has a very particular clothing culture. If ready-to-wear clothing has unquestionably taken over the market share during the last twenty years, 77% of Malian women (versus 26% of men) continue to dress in fabric made by a local tailor despite the slightly higher price than second-hand clothing. Now traditional West African cotton garments tend to be worn for special occasions or in remote villages (see Gardi 2003). This is a remarkable sign of a clothing culture which still resists the effects of western fashion. Fashion style is a part of cultural identity that cannot be overlooked. For example, Fridays (the day of prayer for Muslims) and ceremonial days (marriages, traditional holidays) are days when everyone wears a "boubou". There is also a genuine proudly defended African fashion. Also stylists and fashion designers adapt traditions from the "western" cuts and "African" fabric demonstrating also an open mind, adaptability and creativity.

However, the issue of the impact of second-hand clothing exports on the African textile market divides the profession. Pierre Duponchel, Director General of "The Relais", states that second-hand clothing remains a sustainable development tool as much in the Northern countries as in the Southern countries. According to him, the labour-intensive activity of sorting out the clothing enables the creation of many jobs for populations without qualifications and often marginalised. Sorting also has an ecological advantage of limiting textile production which, as is well-known, can be highly polluting (for example, the drying up of the Aral Sea by the irrigated cotton culture, chemical dumping from the textile industry, etc.).

Finally, since 2001 the second-hand clothing sector in Europe has undergone a crisis which is linked to the massive Asian textile imports that influences the entire ready-to-wear market whereas the price competition is too steep for second-hand clothing to keep up.

In this context, in 2003/2004 the WAEMU launched an ambitious proposal to rapidly develop cotton processing capacity by ***developing a regional textile industry***. It calls for investment to develop a dynamic regional textile industry by 2010 that will process 25% of cotton produced in the eight countries of the WAEMU area. The intention is to create 50,000 new jobs, capitalising on local knowledge and experience (*e.g.* artisanal craftsmanship, tradition design, etc.) to develop products that add value to cotton through trade in the regional and international markets. The implementation of this proposal in a relatively short amount of time (5 years) depends on the effective resolution of a number of factors:

- existence of adequate regional demand for West African cotton products and traditional clothing;

- development of products with adequate quality and low price to satisfy consumers and effectively compete with cheap imports;
- development of adequate regional economic, industrial, energy and transport infrastructure to make these industries viable;
- sufficient funding from the State and private sector to support the range of investments required.

In the same vein, ENDA Perspectives Dialogues Politiques has argued for the region to increase its capacity to process cotton so as to take advantage of added value on the raw exported product and has underscored that this is only feasible through a regional framework. Specifically, ENDA suggests the ***cross-border integration of cotton processing so as to maximise the benefit from the comparative advantages of neighbouring countries***. It proposes that the only way for industrial units to be sustainable is to take advantage of each country's value-added: one country may have cheaper infrastructure costs, another may have cheaper and constant access to electricity; others may possess cotton ginning plants and infrastructure while some may have good road, rail and sea transport routes (WABI 2003). While innovative in principle, this notion of countries cooperating on an economic sub-sector would require a readiness from West African states for much deeper regional integration and greater capacity to jointly manage economic activities, investments and profits than currently exist. It remains to be seen whether the political will can be created to promote such regional economic development initiatives and steps that naturally require States to accept higher degrees of economic and policy interdependence.

It is unlikely that such a regional strategy to promote textile production and consumption could work without effective protection of the West African textile market as it would be difficult for West African products to compete with cheaper Asian textile imports that now dominate the world market and benefit from economies of scale in a different context than that of West Africa. Furthermore, West Africa would perhaps be entering into a policy of protection too late in the game: partly due to WTO agreements, the room for manoeuvre for countries or regions to set up and implement protectionist policies is rapidly reducing.

Indeed, a budding textile industry might require some degree of protection. There may now be an opportunity, with the existence of strengthened regional organisations such as ECOWAS, to develop a plan to protect strategic products at the regional level. This may even be possible within the framework of WTO regulations and international trade negotiations such as the EU/ACP Economic Partnership Agreements if sufficient political will exists. Pakistan, as an example, was one of the largest exporters of raw cotton in the mid-1980s, and today is one of the largest exporters of cotton thread and a net importer of lint. The shift was made possible by protecting the domestic market from imports and by devaluating the national currency. Textile exports from the West African CFA Franc zone would have great difficulty in being competitive unless the CFA Franc was devaluated. The current high value of the CFA Franc encourages imports from Asian textile producers such as China.

The most significant development in this regard has been the abrogation of the WTO's "Agreement on Textiles and Clothing" in January 2005. This agreement enabled a transitory liberalisation process of the textile sector following the Multi-Fibre Agreement (MFA) in force for 20 years from 1974 to 1994. The MFA set up the rules governing global clothing and textile trade. It imposed limits on imports within the framework of global liberalisation of international trade. Now, as noted in the OECD report *A New World Map in Textiles and Clothing* (OECD 2004), countries will no longer be able to protect their own industries by restricting the quantity of textile and clothing products imports. As of 2005, large retailers in developed countries will have greater ability to purchase products from all over the world. The OECD report predicts that due to such processes the textile industry's capacity will migrate to the most competitive countries. There is increasing evidence that the more competitive suppliers in China, in particular, will capture international textile markets. This will leave little room for new textile producers in developing regions such as West Africa. The EU and United States have already tried to protect their textile industries by agreeing on limited import quotas with China. However, even these countries are finding it difficult to maintain the quotas as they are harming the retail industry and limiting consumer access to inexpensive products. In this context, the challenge for the development of a competitive West African textile industry becomes much greater. The greatest opportunities may lie in developing the fair trade cotton and textile markets.

Partnership between private companies involved in supporting cotton production and trade, NGOs that are committed to finding solutions to the cotton crisis in West Africa to improve livelihoods (Oxfam, ENDA, etc.) and some categories of decision-makers in the region and internationally (*e.g.* ECOWAS, EU, ACA, UNPCB/ROPPA) could help promote fair trade cotton.

A niche market may exist for organic fair trade cotton. Several initiatives have emerged to support sustainable fair trade cotton backed by northern NGOs such as Max Havelaar, northern buyers such as IKEA, and working closely with cotton companies such as CMDT in Mali. A four country pilot initiative facilitated by the NGO Max Havelaar has yielded impressive results although as yet affecting only a small proportion of cotton producers. It is broadly accepted that there is room to expand such activity although it is always likely to remain a niche market. French and Swiss textile sales outlets and industries involved in fair trade with the Max Havelaar label, *e.g.*: Kindy socks, Active Wear and Soft Grey of La Redoute, Armor Lux, the Bocoton cotton label, Celio, Hacot and Colombier, Eider have developed a joint initiative to address fair cotton trade.

Key questions

- In 2003/2004, less than 5% of cotton lint produced in the WAEMU region is processed in West Africa. Given past efforts to develop the regional textile industry with disappointing results, how might a new regional textile processing strategy break the cycle and foster a profitable and competitive textile industry in West Africa? How can West Africa compete with other powerful actors in the international economy and Asian producers that benefit from vast economies of scale and the end of the Multi-Fibre Agreement? How can this strategy build on the past successes of existing regional traditional textile manufacturing industry? (*e.g.* the case of Kente and Faso Fani cloth; see Igué 2003).
- Where will the investment funds for the regional textile industry come from? Will private investors see the advantages in funding the development of this area given their hesitance to invest in regional markets on one hand and price volatility on the other?
- What incentives and conditions would be required to lead West African countries to take advantage of regional synergies, collaborate in the management of the cotton sub-sector, share infrastructure, power and investment in processing, as suggested by ENDA? Can regional organisations play a role here?

5. West African cotton: The national level

5.1. *Importance of cotton in the national economy*

The contribution of cotton to national GDP varies according to country in West Africa. It provides 3 to 10% of GDP in Benin, Burkina Faso, Mali, Chad and Togo and less than 2% for other cotton producers.

Cotton exports also constitute significant revenue for many West African countries' national economies. This income takes on strategic importance for the economic stability for these countries and investment in development in a broader sense. The importance of cotton exports varies among countries and depends on the economic structure of each of them. On average, from 2000 to 2004 this revenue represented 56% of total exports of Burkina Faso and approximately 30% of those of Benin, Mali and Chad (see table below). On the other hand, the economies of Nigeria, Côte d'Ivoire, and Cameroon are more diversified and increasingly dependent on income from oil and cocoa than that of cotton.[7]

Furthermore, in Nigeria, the traditional textile industry and the textile factories consume a large amount of cotton produced in the country. Nigeria produces some 150 000 MT cotton but official figures show that it exports only

Table 2.1. **Importance of cotton fibre exports in country's external income**

Average 2000-2004	Exports of cotton fibre (USD million)	Percentage of West African cotton exports	Percentage of the country's agricultural exports	Percentage of the country's total exports
Benin	142,5	16	70	30
Burkina Faso	154	17	75	56
Cameroon	**102.8**	**11**	**20**	**7**
Cape Verde	–	–	–	–
Chad	59.7	7	52	30
Côte d'Ivoire	**147.7**	**17**	**6**	**4**
The Gambia	**0.2**	–	–	–
Ghana	**5.3**	**1**	**1**	**1**
Guinea	**0.2**	–	–	–
Guinea-Bissau	**0.1**	–	–	–
Liberia	–	–	–	–
Mali	188.1	21	63	30
Mauritania	–	–	–	–
Niger	**0.2**	–	–	–
Nigeria	**31.8**	**4**	**7**	–
Senegal	**17.5**	**2**	**11**	**9**
Sierra Leone	–	–	–	–
Togo	**39.6**	**4**	**38**	**8**

Source: FAOSTAT database, 2006; WDI World Bank, 2006.

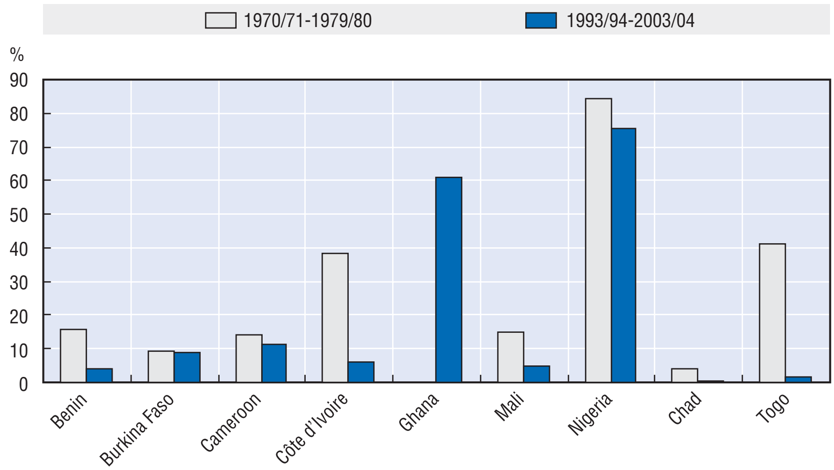
8 to 10%. The figure below shows a generally reduced use of cotton fibre in the region which may correlate with less processing capacity even a process of effective ***de-industrialisation in the textile industry***. However it also demonstrates that Nigeria and Ghana stand out in the region as, according to official figures, they appear to consume a large proportion of the national production of cotton in-country. It can be deduced that they are therefore less affected by issues related to international trade.

The dependence of countries in the CFA Franc Zone regarding international markets raises the issue of knowing if an increase in consumption and local cotton processing could limit the impact of international fluctuations on the local markets and livelihoods.

5.2. Effects of price volatility on local purchasing power

Usually, in the CFA Franc zone cotton producing countries, a single price is fixed for seed cotton before planting each year. The producer then receives a payment that takes account of the difference between the weight of the cotton at the time of sale and the factory weight. The cotton companies directly deduct the reimbursement of credit given for the purchase of inputs needed for cotton cultivation from the price paid to cotton producers. This

Figure 2.7. **National consumption of cotton production in selected producing countries**



Source: *SWAC using data from ICAC (note:* data refers to annual averages for each producing country).

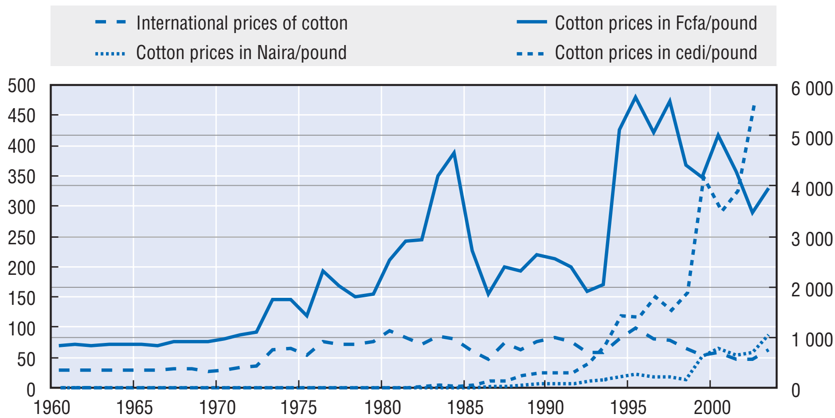
Key questions

- What will be the place of cotton production and trade in international trade agreements such as the Economic Partnership Agreements (EPAs) being negotiated between the EU and ACP countries between 2004 and 2008? Is there a case for protecting the cotton sub-sector from full liberalisation in the first stages to maintain state and farmer revenues? What is the role of West Africa's regional organisations here?

system can, on the one hand, enable producers to obtain a relatively stable income. But, on the other hand, the percentage of revenue received by producers can be relatively low when compared to other cotton producing regions in the world. A World Bank study estimates that between 1994 and 1997 cotton seed prices expressed in terms of their equivalent in cotton fibre reached between 40 and 60% of world cotton prices in CFA Franc zone countries, as compared to 60% to 80% in Zimbabwe and more than 90% in India.[8]

International price volatility of cotton has had differentiated impacts across West African producers. The nature of the effects of international price volatility on local economies is affected by changes in official exchange rates and inflation rates in West African countries.

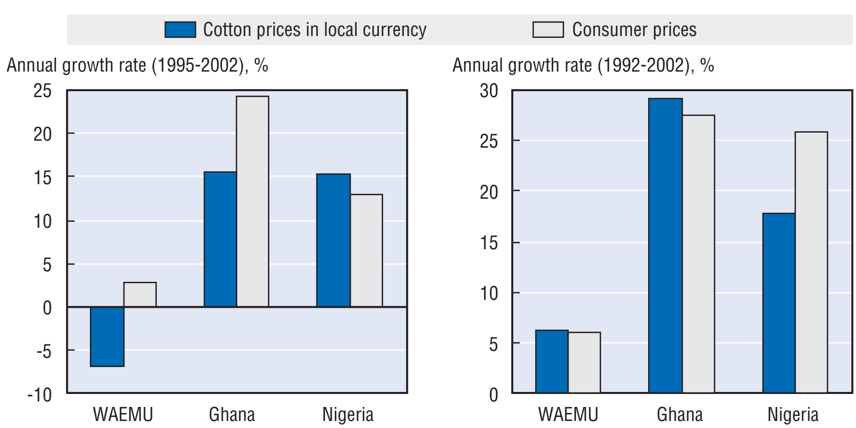
Figure 2.8. **Comparison of the price of cotton (ICAC Index A) in local currency in selected West African cotton-producing countries: CFA Franc zone, Nigeria, Ghana (CFA Franc, Naira and Cedi)**



Source: IFS, IMF, 2004.

Due to the devaluation of the CFA Franc in 1994 and successive falls in the value of the Naira and Cedi as compared to international currencies, the nominal price of cotton in local currency has risen substantially in cotton producing countries since the mid-1990s. Nonetheless, given high rates of inflation the real price of cotton has remained basically stable or has actually fallen.

Figure 2.9. **Comparison of trends in cotton prices in local currency and the consumer price index**



Source: IFS, IMF, 2004.

Hence, cotton prices in FCFA have fallen by 7% per year between 1995 and 2002 while the inflation rate in the WAEMU zone was 2.7% per year. The real price of cotton in the CFA Franc zone has therefore dropped sharply. In the same way, purchasing power of Ghanaian cotton fell while it increased slightly in Nigeria. The rates of inflation in Ghana and Nigeria were still very high during this period as they reached an average annual rate of 24.4% and 13.1% respectively, compared to an annual growth rate of cotton prices in local currency of some 15.5% and 15.4%. Prior to the devaluation of the CFA Franc in 1994, the inverse situation could be observed. The real price of cotton in Ghana and in the WAEMU zone rose slightly while it fell in Nigeria. In general, it seems that the purchasing power of cotton for producer countries has declined over the last ten years.

This change has not had the same consequences in all West African countries, however. There has been a clear difference between countries in the CFA Franc zone and the Anglophone cotton producing countries, Ghana and Nigeria. In these two countries, the change in cotton prices has had a limited impact on the national economy due in part to their higher levels of national consumption of cotton fibre. According to official records, half of the cotton produced in Ghana appears to be consumed in-country and the figure rises to up to three quarters of the amount produced in Nigeria. This is the opposite of the situation in the CFA Franc zone, where countries export 95% of the amount of cotton produced. The CFA Franc zone countries are therefore more vulnerable to international price changes. This dependence on international markets raises the question as to whether increasing local cotton consumption and processing might limit the influence of international fluctuations on local markets and livelihoods.

6. Cotton markets and the producer purchase price for cotton seed

The effects of the devaluation of the CFA Franc on the price of cotton sold for export were positive overall with the price of cotton in local currency having almost doubled between 1994 and 1995. This situation was very beneficial for producers in the CFA Franc zone in West and Central Africa: prices for cotton seed rose from between 15% in Chad to up to 70% in Burkina Faso.

Cotton prices fell in terms of their CFA Franc value from 1997/98, following the general fall in international prices. In this context, the producer purchase price remained relatively stable, or dropped slightly. Consequently, the percentage of the price of cotton seed received by producers rose from 15% to 25% between 1994 and 2002. This situation helped producers acquire more influence in the management and negotiation of prices in the cotton sub-sector.

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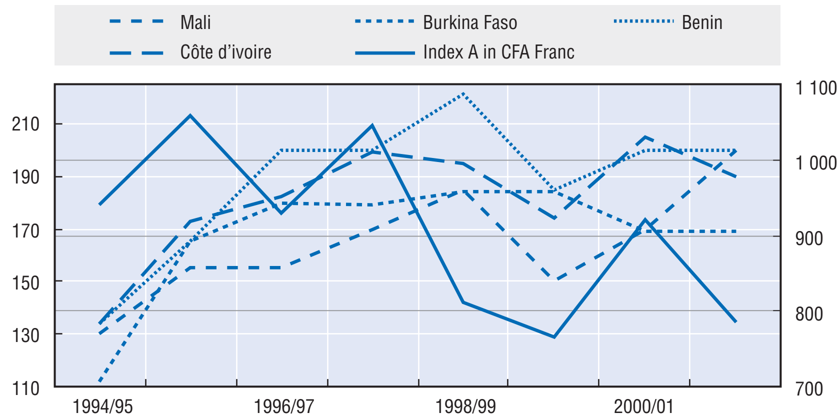
Figure 2.10. **Index A and the producer purchase price in the CFA Franc zone (FCFA)**



Source: IFS, IMF ; Goreux, *Réformes des filières cotonnières en Afrique subsaharienne*. Ministry of Foreign Affairs, France; Ministry of Agriculture, 2004, Chad.

7. Producer purchase price and farmer revenues: The case of Burkina Faso

Besides the direct effect of rising purchase prices for cotton seed on producer revenues, there is also an indirect impact of rising yields. In fact, one year after the devaluation of the CFA Franc and the parallel rise of the farm gate price of cotton, the yields recorded also rose sharply. For example, in Burkina Faso these yields rose from less than 800 kg/ha in 1993/94 to more than 1 tonne per hectare from 1996/97 to 2000/01. However, the question remains as to what extent the change in the farm gate price of cotton seed influences the incentives to producers to cultivate cotton as well as to increase cotton yields.

If this trend is correct, the rise in farm gate prices would have a positive effect of producer revenues via the rise in agricultural yields. Indeed, since the devaluation of the CFA Franc, marginal returns after reimbursement of inputs have risen by more than a third rising from nearly 80 000 CFA/ha to 110 000 CFA/ha.

7.1. Sub-national distribution of cotton production

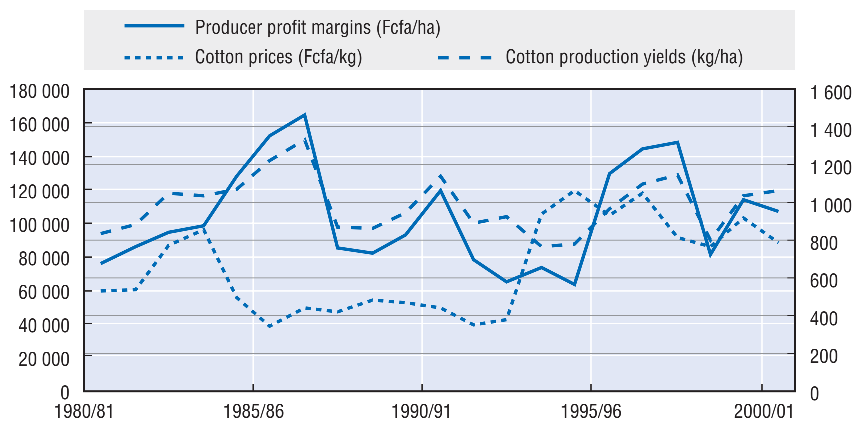
Areas planted with cotton shift regularly in West Africa in response to climatic factors, availability of water and fertility of soils. In Burkina Faso, cotton production zones shifted from the northern part of the central areas towards the south and south-western parts of the country due to environmental degradation and land becoming less fertile. This may primarily be related to rainfall patterns shifting southwards over recent decades but might also be

Table 2.2. **Seed cotton production yields and the producer purchase price: The case of Burkina Faso**

	Yield of cotton grain production (kilos/ha)	Purchase price of cotton grain (CFA per kilo)
1993/94	767	112
1994/95	777	112
1995/96	968	165
1996/97	1 095	180
1997/98	1 145	180
1998/99	802	180
1999/00	1 037	180
2000/01	1 061	170

Source: VOGNAN. G, 2002: Impact économique de la recherche agricole sur la culture du coton et stratégie de lutte contre la pauvreté, Actes FIRSIT 2002.

Figure 2.11. **Evolution of the profit margins of producers after reimbursement of inputs has been taken into account in Burkina Faso**



Source: VOGNAN. G, 2002: Impact économique de la recherche agricole sur la culture du coton et stratégie de lutte contre la pauvreté, Actes FIRSIT 2002.

linked to increased population and livestock pressure, and possibly also to negative environmental effects of the cultivation of cotton itself (Harsmar 2004). Most recently, two phenomena can be highlighted: On one hand, the traditional cotton production zone of Western Burkina Faso has increasingly developed since the beginning of the 1990s through an extension of cultivated surface area. On the other hand, the production areas in the Central and Eastern regions of Burkina Faso have developed.

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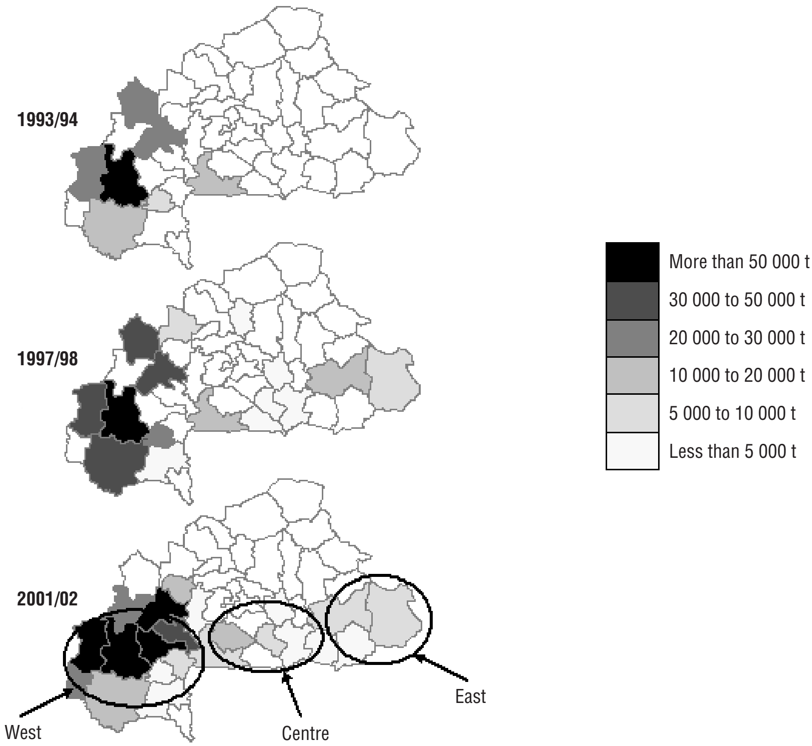
Figure 2.12. **Dynamics of change in cotton production zones in Burkina Faso**

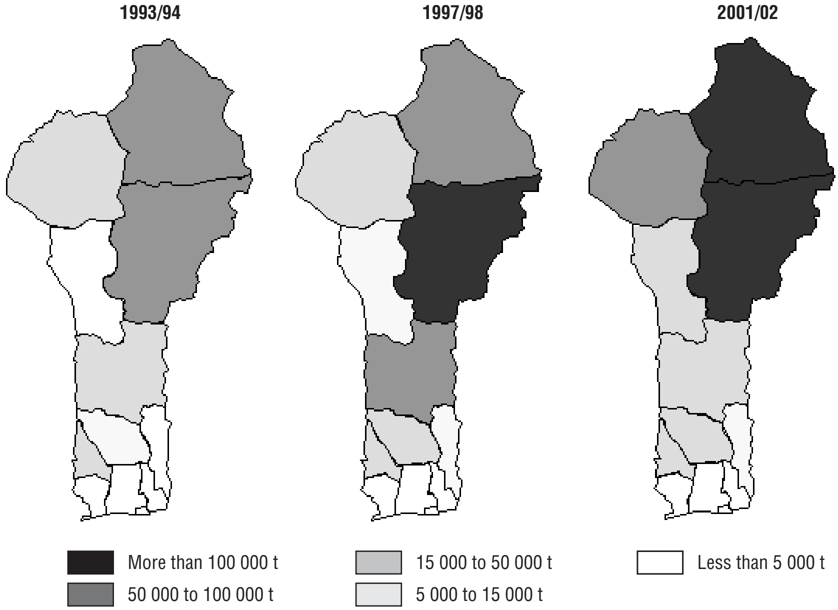


Sources: SWAC using data from Ministry of Agriculture data, Burkina Faso.

The maps below provide further detail on the sub-national or district level distribution of cotton production in key cotton producing countries: Burkina Faso, Benin, and Mali. This shows cotton production areas in each country and the way in which these have evolved over the last 10 years. It demonstrates the changing of producers' strategies which could be in response to *e.g.:* market price changes; climatic variability; field and soil management practices related to trends in soil fertility and rotation; changing policies concerning supply of services to producers. Specifically, it illustrates a general spread in areas on which cotton is cultivated in each country supporting the assertion that cotton farmers are increasing the area cultivated to maintain and increase incomes and purchasing power in the face of downward price pressures.

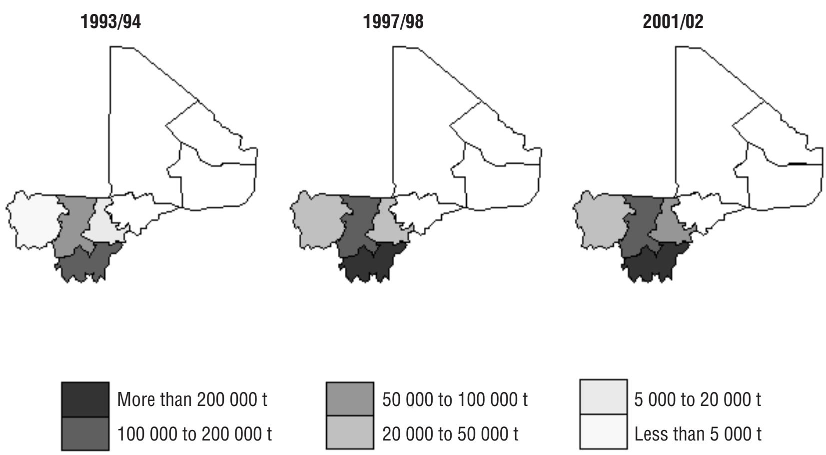
While the geographical area suited to cotton cultivation remains fairly stable in aggregate terms, the specific local areas and fields allocated to cotton production may change each season depending on crop rotation practices, soil

Figure 2.13. **Change in cotton production areas in Benin**



Sources: SWAC using data from Ministry of Agriculture data, Benin.

Figure 2.14. **Change in cotton production areas in Mali**



Source: SWAC using data from the Ministry of Agriculture, Mali.

fertility and the changing strategies of farmers in response to market incentives. For example, in 2004/5 farmers in Burkina Faso reported choosing to plant maize instead of cotton in fields usually planted with cotton due to low cotton price.

Notes

1. Cape Verde, Senegal, The Gambia, Guinea-Bissau, Guinea, Sierra Leone, Liberia, Mali, Burkina Faso, Niger, Côte d'Ivoire, Ghana, Togo, Benin, and Nigeria.
2. Michel Fok, CIRAD.
3. Michel Fok, CIRAD.
4. See for example, Estur 2005: *www.icac.org/cotton_info/speeches/estur/2005/e_cotton_outlook_march.pdf; Estur 2003: www.ictsd.org/dlogue/2003-07-20/Presentation%20Estur.pdf; and www.icac.org/cotton_info/speeches/estur/2005/beltwide_05.pdf*
5. Perrin Serge, Lagandre Damien (2005), *Le coton africain face à la concurrence du marché mondial*.
6. For more information on the constraints and opportunities related to cotton oil production and trade see the documents provided by Fludor Benin, a cotton oil processing company, *www.oecd.org/sah* – click on cotton.
7. Data compiled by the IMF and the FAO, 2003.
8. Cotton Policy Brief, June 1999. The Cotton Sector in West and Central Africa. *www.worldbank.org/afr/cotton/199906e.pdf.*

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Cotton in West Africa
The Economic and Social Stakes

Chapter 3

Role of Cotton in Livelihoods and Access to Services

1. Better access to innovation in cotton production areas: The cases of Mali and Ghana

The role of the cotton support system in agricultural innovation processes is illustrated by the cases of Mali and Ghana. In Mali, access to agricultural innovation generally appears to be better in cotton production zones, due to the cotton production support system introduced initially by the colonial administration: providing consistent access to fertiliser, pesticides, extension advice, credits, technology and inputs in a number of countries. SWAC fieldwork on access to agricultural innovation in Mali undertaken in 2004[1] illustrates the way in which the strong cotton production support system has fostered access to innovation. However, it identifies a number of risks related to the reforms underway and the scaling down of the cotton production support system provided to date by the parastatal company Compagnie Malienne pour le Développement des Textiles (CMDT). A case study on Ghana also shows the close links between cotton and access to innovation, but here Ghana has historically provided less support to the cotton sub-sector, preferring to prioritise investment in the cocoa sub-sector as the main source of foreign exchange revenue from an agricultural product. Hence, the agricultural innovation processes in cotton production zones in Mali and Ghana occurred in contexts where levels of State support were very different.

In Mali, there is evidence that cotton production areas are also zones that have experienced an “agricultural revolution” where increased farm productivity, the creation of added value and the improvement of rural livelihoods has been observed. From the mid 1970s onwards, responsibilities were increasingly shared across actors in the sub-sector. This started with the transfer of cotton seed marketing, and more radically, distribution of community and public funds which contributed greatly to improved livelihoods (Fok). The “cotton production support system” in these areas has fostered agricultural innovation with secondary impacts on agricultural development. Besides supporting education initiatives, the CMDT and its network of field staff, supported by external funders keen to support integrated rural development, undertook activities that contributed more broadly to improved livelihoods and food security in rural areas, for example: helping producer organisations with the collection and marketing of cereal crops; promoting cattle feedlots (using ex-draught oxen), promoting sheep fattening (the ram for Tabaski), promoting the production of bullocks to replace draught oxen; and promoting women's income generating activities (*e.g.* processing). CMDT provided technical assistance (supervision) for all these activities and facilitated access to credit.

As a result of this support from CMDT, cotton zones tend to be areas where the largest amounts of cereals and other food crops are produced. CMDT ensures access to inputs, assistance in developing post-harvest activities related to all these crops, and offers help with marketing the cereal harvest. This innovation process was also enhanced by a demand-driven approach to agricultural service delivery based on contractual agreements between the CMDT, the *Office de la Haute Vallée du Niger* (OHVN) and the *Institut d'Économie Rural* (IER) that clearly defined expected results. These contractual agreements are financed exclusively by the cotton sub-sector via CMDT. During the 2002/03 and 2003/4 cropping seasons, the contract's value was close to 300 million CFA Francs. But at the same time the cotton sub-sector has undergone dramatic changes in Mali and the respective roles of the public and private sectors in the producer support system are being reassigned. Research is more vulnerable to temporal shifts in funding and long term projects receive less attention. Producers fear that these changes will be harmful to their livelihoods at a time of downward price pressure on cotton in international markets. The important multiplier effects of the rest of agriculture of commodity-based support for input use might be jeopardised with negative effects on productivity and incomes.

In Ghana, the cotton sub-sector was fully liberalised and privatised in 1985. In 2001, however, Ghana decided to shift its approach to liberalisation so as to increase quality and establish local monopolies in specific zones. Now, cotton marketing is in the hands of 12 private cotton marketing companies, the Ghana Cotton Company (GCC) being the largest. Most local production is sold to local textile companies and only a small quantity is exported. Some innovations introduced by the GCC in its areas of activity have increased productivity.

i) *Introduction of high yielding cotton varieties from Burkina Faso and the promotion of the cotton-maize/millet rotation system*. Inspired by practices used by farmers in Burkina Faso, the GCC is now encouraging producers to adopt a rotation that contributes to maintaining the fertility of soils by alternating cotton with maize or millet. These changes resulted in yield increases of close to 20% as compared to standard practices.

ii) *Establishing a quality grading system*. The cotton judged to be of “second quality” attracts 80% of the price set for the highest quality. The GCC feels that at present, 75% of the output is top quality while five years ago that figure was 50%. This system is especially important for promoting cotton exports.

iii) *Incentives for personal reimbursement of loans obtained for inputs*. In the past, the GCC along with other cotton companies tried various modalities for recovering inputs costs. For a period they recovered costs of inputs via the purchase price for cotton seed but this was only satisfactory if sufficiently large amounts of cotton were purchased. In moving back to pricing inputs, the GCC recovered loans given to farmers for inputs when purchasing the cotton produced. With the new system, producers who choose to make personal reimbursements are granted a 3% debt reduction as an incentive for farmers to reimburse themselves. This system encourages producers to be independent in their borrowing and repayment operations. Thanks to this reform and to fertilisers being applied properly in the soils, cotton yields increased. Before this reform, producers treated fertilisers as "free" (although the company recovered its investment via sales); made little effort to plough them into the soil; and allowed fertiliser to be washed away with the rains.

The liberalisation of the cotton industry in Ghana in 1985 contributed to increased performance and cotton production during the first few years: "GCCL, the major cotton company started providing inputs to farmers as 'in-kind loans' in 1995 and, within a couple of years, most other cotton companies did the same. With greater use of fertilisers and pesticides, production increased and reached a peak in 1998/99. But, production declined steadily afterward because, with virtually free entry, poaching by small cotton companies without significant investment in the sector became widespread. Most producers were unable to obtain credit for inputs and the use of fertilisers and pesticides was sharply curtailed".[2] Current production has fallen to 5 000 tonnes per year, and Ghana has become a net cotton importer, mainly from Mali.

Innovation processes are complex and may need a holistic approach to be effective. The example of the role played by the CMDT in fostering innovation demonstrates the way in which a holistic approach contributed to improved livelihoods, increased cotton and cereal production, and produced better yields. There has been less political interest in and support of cotton production in Ghana. There has also been less external support for the development of the cotton sub-sector and related services, reducing interest in cotton production and hampering the "scaling up" required to reduce the costs of service provision. At the same time producers in Ghana's cotton zones have not experienced the same improvements in livelihoods as in the CFA Franc zone.

It is also important to mention that the Ministries of Foreign Affairs of France and The Netherlands and CIRAD have set up a regional project "CottonNet" (in French "Résocot") in six countries: Benin, Burkina Faso, Cameroon, Ghana, Côte d'Ivoire and Mali. The project aims to assist cotton sub-sectors in sub-Saharan Africa to assess the performance of the various cotton sectors'; organisation methods. The programme started in 1999 and ended in 2003. Outcomes of the project were the characterisation of the ways in which the cotton sub-sector is organised though a common grid to assess performance and progress (Fok M. and Tazi S. 2003).

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Key questions

- What is the most appropriate mix of public – private-producer organisation responsibilities to meet the requirements for liberalisation while maintaining the holistic approach to producer support that may best foster innovation processes, productivity and competitiveness of agriculture in West Africa? Can a value chain analysis help identify the most effective and complementary roles for these actors in their partnership to dynamise agricultural development? What is the most appropriate phasing of decreased public sector involvement to maintain maximum efficiency and capacity in the sub-sector? What alliances are required to achieve an appropriately phased privatisation process?
- How will the cotton sub-sector reform and the CMDT privatisation process affect producer access to agricultural inputs, fertiliser, technology and profitability in the short- and medium-term? How will reduced access to inputs and innovation affect the production of food crops, producer livelihoods and wider agricultural development? How can short-term costs be mitigated while maintaining efficiency and welfare gains that reforms might generate in the medium-term? How will States, their development partners and producer organisations be able to effectively ensure continued producer access to technical support and inputs? How can mutual understanding of the stakes be fostered to avoid the political and economic costs of mistrust?

2. Biotechnology and cotton in West Africa

The most known type of genetically modified cotton. is Bt cotton. It represented more than 30% of global cotton production in 2003-2004. Optimistic claims indicate that it has the potential of dramatically reducing production costs particularly by reducing the number of pesticide sprays needed in a season. For example, in China, one study indicated that farmers who do not use Bt cotton spray 12 times on average whereas farmers who use Bt cotton spray 3 to 4 times during the cropping cycle. This is an important aspect as pesticides are relatively important in the production costs related to cotton: in the US pesticides are said to account for two thirds of the total costs of chemical inputs (fertilisers and pesticides), albeit that in the CFA Franc zone they account for only one third of total chemicals costs. Genetically modified cotton was introduced in the United States in 1996 and many other important producer countries have adopted it, including China, India, Mexico, Australia, Argentina and South Africa. This poses a challenge to the competitiveness of African cotton.

The economics of genetically modified cotton

Genetically modified (GM) cotton, a result of technological developments of the 1990s, has the potential of reducing the cost of production, hence increasing profitability of the early adopters of this technology. In fact, GM-type cotton (as well as all other GM products) acts as insurance against pests, insects or weeds. The grower pays a premium for the pest-resistant seed (as they would when buying other types of insurance). If the insect attacks the crop, the grower's benefit comes through the lower costs from not spraying. For example, the average number of pesticide application used against bollworms in the US fell from 4.6 in 1992-95 to 0.8 in 1999-2001. Furthermore, the grower is likely to experience higher yields because spraying conventional cotton always involves sub-optional elements and hence yield losses. For example, yield increases due to switching to GM cotton range between 19% (China) to 80% (India). In developing countries there might also be health benefits because small growers spray with hand-held devices, thus any reduction in spraying would also imply reduction in poisoning risks. On the other hand, if the insect does not attack the crop, growers simply lose their extra cost of GM seeds. Research has shown that, on balance, GM cotton users are much better off compared to users of conventional cotton.

There are two types of GM cotton: Bt cotton and herbicide-tolerant cotton. Bt (Bacillus thuringiensis) is a naturally occurring soil bacterium that has been used as a biological pesticide for many years. The gene that produces the relevant insect toxin has been transferred from that bacterium into the cotton plant. In turn, the plant produces its own toxin and there is no need for the grower to apply pesticides. Herbicide-tolerant cotton is a cotton plant that has been genetically modified to resist a herbicide that would otherwise kill both weeds and the cotton plant. Consequently, the herbicide can be applied without exterminating the cotton plant.

Producing GM cotton is a multi-step and complicated process, which is why most developing cotton-producing countries have not embraced the technology. First, the legal and regulatory framework must be established which includes issues such as the selection of companies to carry out trials; pricing issues; copyright of genetic material issues; whether growers are allowed to recycle GM seeds or have to purchase the seeds every year; time duration of the GM license; etc. The second stage involves field trials to develop seeds appropriate to local growing conditions, for example there are about 35 GM cotton varieties in the US and 22 in China, each designed for particular pest populations and growing conditions. The third stage involves actual adaptation by the cotton growers.

GM cotton was first grown in the US in 1996. A number of cotton producing countries have introduced GM cotton technology since then including China, India and Mexico in the northern hemisphere and Argentina, Australia and

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The economics of genetically modified cotton *(cont.)*

South Africa in the southern hemisphere. Other countries are in the approval process or at the trial stage, including Israel, Pakistan, Turkey, Brazil, Indonesia and Zimbabwe. Major producers that have not approved GM cotton (as of 2003) are the European Union, Central Asia and Francophone Africa (except Burkina Faso, which is conducting trials) (Cotton Outlook 2004).

Who receives the benefits of GM cotton? There are four groups whose welfare is likely to be affected by the use of GM seeds: the companies that manufacture the seeds, the farmers that use them, the farmers that do not use them and end users. Falk-Zepada *et al.* (2000) estimated that of the $215 million in surplus generated in 1996-98 per year due to the switch from conventional to GM varieties in the US, farmers'; net income increased $105 million while the seed companies received $80 million. Increased cotton output reduced the world price generating about $45 million of gains to consumers (both in the US and elsewhere) but cotton farmers in other countries (*i.e.* farmers that did not use GM cotton) lost an estimated $15 million because of lower cotton prices. The methodology of these welfare effects was based on a standard economic surplus model developed by Alston et Al. (1995).

Source: FAO (2004), cited by John Baffes (2005) in the "cotton problem", The World Bank, Washington D.C.

The introduction of agricultural biotechnology in West Africa has remained very controversial and politically charged for many civil society, non-governmental and producer organisations. Several NGOs and producer organisations, however, campaigned against the introduction biotechnology and specifically the use of genetically modified cotton. In July 2004, the *Association des Organisations Paysannes Professionnelles* in Mali (AOPP) widely distributed a declaration against the introduction of genetically modified organisms in general and Bt cotton, in particular: *Manifeste: le Mali face à la menace des OGM*. These actors have argued that living modified organisms threaten biological diversity, could contaminate other agricultural products and may harm ecosystems in West Africa. GRAIN, an international NGO based in Benin, went further and described Bt cotton as a "poisoned gift" as farmers may become too dependent on multinationals for the purchase of cotton seed, could be fined if they share transgenic seed with their neighbours, and might easily become indebted. It advocates that other measures be taken to reduce the use of harmful insecticides in cotton fields rather than the introduction of Bt cotton (GRAIN 2004). Environmental Rights Action of Nigeria (ERAN) and the Nigerian branch of Friends of Earth International have also declared to be against their government's decision to introduce agricultural biotechnology and a group of international and West African NGOs[3] distributed a statement rejecting the introduction of GMOs and calling for a moratorium of at least 5 years at the ECOWAS regional meeting on biotechnology held in Bamako in June 2005.

Many West African countries and scientists in African agricultural research institutes have been convinced for some time of the advantages of agricultural biotechnology and Bt cotton, in particular. Its supporters argue that Bt cotton appears to present economic advantages, to reduce dependence on international companies involved in the distribution of pesticide and fertiliser, and according to several studies, to hold no known environmental or human health risks. West Africa has moved further towards establishing a coherent biosafety and regulatory framework for biotechnology than other parts of Africa. Countries such as Burkina Faso had already begun trials on genetically modified cotton by 2004 and it has moved forward rapidly to set up a regulatory framework in accordance with the Cartagena Protocol on Biological Diversity and the International Protocol on Biosafety. Others, like Mali, are in the process of approving trials. Ghana has completed the process of developing its own regulation mechanisms and the Nigerian government has supported several initiatives on biotechnology for a wide range of crops. Furthermore, producer organisations in some countries have embraced biotechnology despite the strong opposition of organisations such as Mali's AOPP.

In June 2004, a high level Ministerial Conference was held in Ouagadougou, sponsored by the US, on harnessing science and technology to increase agricultural productivity, improve food availability and improve peoples livelihoods in the West Africa region.[4] This aimed to identify West African perspectives on the adoption of scientific innovations, including biotechnology. This focused on the best way to use biotechnology, how to ensure its proper regulation and use while maximising its benefits for farmers. The way in which Bt cotton had reduced pesticide costs, improved yields and livelihoods of small farmers in developing countries such as South Africa was discussed. However, it should be noted that at around 400 to 500kg/ha of cotton seed, yields had always been lower in South Africa than in parts of West Africa, about half the average yields in Mali.

A major issue that emerged was the ***need for regional cooperation and partnerships on science and technology:*** given that financial and technical resources are limited, it is most efficient and effective to identify problems and apply scientific knowledge to find solutions at the regional level. The roles of regional economic and research institutions such as ECOWAS, the WAEMU and the CILSS were seen as key, as were those of new organisations such as the African Agricultural Technology Foundation. Given the costs of establishing regulatory systems for biotechnology, the meeting underscored

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Biotechnology cotton: a success story for poor farmers with possible risks over the medium- and long-term

Cotton genetically engineered to express the insecticidal toxin Bacillus thuringiensis (Bt cotton) has been celebrated as a success story for poor farmers in developing countries. Transgenic cotton varieties have been adopted by commercial and smallholder farmers in several developing countries including China, South Africa and India. In 2002, transgenic cotton varieties occupied 20% of the global cotton area and more than half of the national cotton acreage in China. An estimated 90% of smallholder cotton farmers in the Makhatini Flats area of KwaZulu-Natal, South Africa planted Bt cotton.

Transgenic technology is popular with farmers because it appears to provide effective control of important cotton pests, principally bollworms. Consequently it has been rapidly adopted and it is now possible to review the experiences of transgenic cotton farmers over several growing seasons. A number of recent studies have claimed that there are clear benefits for cotton farmers. In China, transgenic cotton commercialised in 1997 is reported to have contributed to increased yields, financial and labour savings and a reduction in poisonings linked to pesticide use. The total benefits were calculated at USD 334 million nationally, most of which was secured by farmers. In South Africa, the reportedly higher cost of transgenic cotton seed commercialised in 1997 was offset by lower chemical use and yield increases in the order of 20 to 40%.

However, the experience of India serves as a reminder that the Bt gene cannot protect cotton against diseases or non-targeted pests which can wipe out profit margins. Paying the higher price for transgenic seeds remains a risky choice especially for poor-cash producers constrained to produce primarily for home consumption. Research in China has indicated that success in controlling bollworm as the primary pest may lead to their place being taken by an increase in the number of secondary pests such as aphids and red spider mites. The particular ecological dynamics of cotton pests requires dynamic, ongoing management. There is concern in both China and India that pest resistance to the Bt toxin may already be emerging. According to IDEAS Centre (*www.ideascentre.ch*), there is some data indicating the development of pest resistance after extended exposure to Bt cotton. The risks can be mitigated and can be reduced with proper crop management practices such as intermittent planting of non-Bt varieties in order to break the selection process in pests that favours Bt-resistant species. Pest refuges are recommended as a way of controlling this problem but these may be unworkable or ineffective on the tiny plots of land farmed by smallholders. Non-Bt maize is a key refuge crop in China's Bt cotton growing areas. Policymakers fear that, if Bt maize were commercialised in the north-eastern provinces, seed would quickly travel south and be used in the cotton zones. Having Bt maize and Bt cotton

Biotechnology cotton: a success story for poor farmers with possible risks over the medium- and long-term *(cont.)*

in the same zones could undermine **biosafety principals** in smaller farms. Furthermore, for crops where China is a centre of origin – rice and soya beans, for example – biodiversity concerns cannot be taken lightly.

These specific crop management processes are relatively easy to implement and manage on large farms. On smallholdings, however, the respective practices require co-ordinated action among all producers within defined areas of production. This is a significant issue in Africa where the majority of farms are small family farms, often less than 3 hectares in size. Producer organisations may have a key role to play here.

Access to agricultural inputs remains an important issue. In India and South Africa, the smallholders adopting transgenic varieties tend to be the richer and better-established farmers who have access to productive land and credit and can afford the higher up-front costs of transgenic cotton seed. In many countries, cotton is an important export crop that is supported by an infrastructure of input supply and marketing. In this respect access to input and agricultural biotechnology need to be addressed.

Source: Hitimana and Hussein (2006), Agricultural Biotechnology Experiences: what are the stakes for West Africa? SWAC/OECD, Paris.

the usefulness of developing a harmonised, transparent and predictable regulatory system at the regional level.

In January 2005, a meeting was held in Bamako (Mali) on the place of cotton in the WTO trade negotiations. This brought together Ministers and West African ambassadors to Washington from Benin, Burkina Faso, Mali, Senegal, Chad and US government representatives. The Final Declaration stated, however, that Bt cotton is not the panacea *vis-à-vis* the current international trade negotiations and the way in which they need to address the crisis in the cotton sub-sector.

The ECOWAS regional Ministerial Conference on biotechnology in West Africa held in Bamako in June 2005 led to the agreement on a regional framework to introduce agricultural biotechnology in West Africa.[5] It appears that most countries in the region will now move forward to adopt BT cotton in the coming months and years, albeit that certain countries, such as Benin, have been reticent to date. Indeed, the June meeting decided a number of concrete actions for regional cooperation on biotechnology and biosafety. Among the recommendations, the Ministers urged ECOWAS to develop a

Key questions

- Some countries are embracing genetically modified cotton and rapidly expanding the area planted, while neighbours remain reticent. Those that delay adopting BT cotton may lose their competitive edge in a tight market where prices are falling and other countries are adopting Bt cotton but are concerned about potential medium- and long-term risks related to environmental, human, and equity factors. There is concern that cotton products enter the food chain through cotton oil and therefore may affect other crops. Others argue that biotechnology will reduce risks (related to pesticide use, for example) and that it does not pose problems relating to human health as it is not a foodstuff. International protocols on biosafety stipulate that countries that adopt biotechnology should establish monitoring and regulatory procedures at the national level. Given that biotechnology may have effects that cross national boundaries and affect other crops (via pollination for example), ***is there a role for regional coordination, monitoring and regulatory measures concerning the introduction of Bt cotton?*** This could provide a balanced assessment of the advantages and risks for different producers adopting biotechnology over the short- and medium-term. If so, which regional body would be best suited to undertake this function? What lessons can be learned from other developing country regions' attempts to develop regional regulatory mechanisms (*e.g.* Southern Africa/SADC)?
- Given the increasing use of genetically modified cotton internationally (set to reach 50% of total cotton produced by 2007), will adoption of Bt cotton be the key to increasing productivity, competitiveness and sustainability of African cotton? What are the implications for financial and environmental sustainability?
- What will be the costs of increased dependence on agribusiness for the supply of biotech plants? Where Bt cotton is introduced, how can access be ensured for small and large-scale producers alike?
- In a context of stiff competition from synthetics and increased global production, is there sufficient demand for standard West African cotton or organic cotton to make them viable alternatives to Bt cotton? Is there a remunerative market niche for Africa in developing organic cotton?

detailed action plan for implementation of the programme and to hold the next Ministerial conference on Biotechnology in Accra, Ghana in June 2006.

West African governments and civil society have had different perspectives on the introduction of agricultural biotechnology cotton, Bt in particular. However, the strength of the West African position in the international trade negotiations concerning cotton has benefited greatly from producers, the private sector, civil society and governments developing a united position at the regional and international levels. It will be important for these West African actors and decision-makers to establish an agreed position and approach on the introduction of biotechnology, specifically BT cotton, at the regional level. Here, the setting up of a regional mechanism to monitor and regulate the introduction of biotechnology may help. Biotechnology should not be seen as a magic bullet, however. Research and innovation can contribute in other ways to resolving constraints to the production and profitability of quality cotton. Some believe that Integrated Pest Management (IPM) technologies are viable alternatives to Bt cotton. However, more general constraints to effective national and regional agricultural research also need to be addressed, *e.g.*: broader access by scientists to information technology; increased experience of participatory methods and consultative approaches, etc.

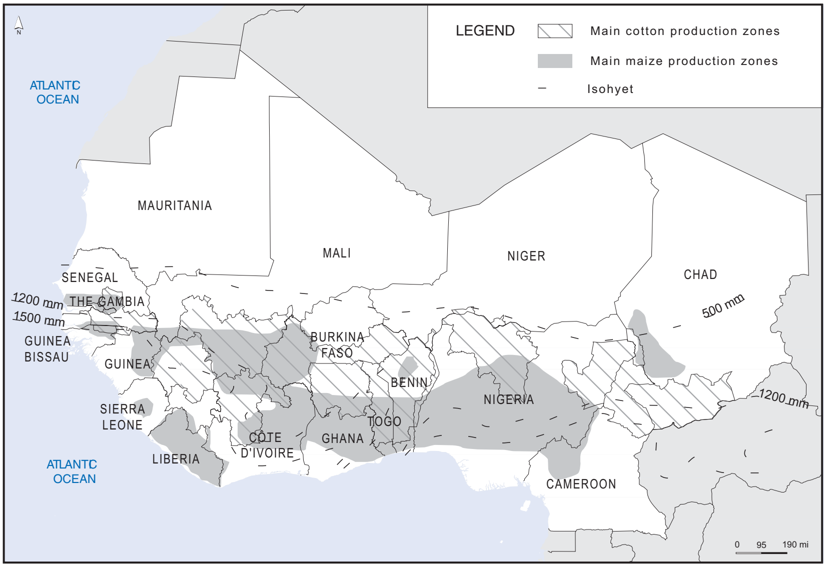
3. Links between cotton and cereal production

The Savanna zones of West Africa have always been suited to cultivation of both cotton and cereals. In a report for the SWAC on the regional and spatial dimensions of West African development, the geographer, Roland Pourtier confirms the historic co-existence of food grain and cash crop production, and rotation between the two, on farms in the region:

> *"Mieux arrosée que le Sahel et en cela épargnée par les crises climatiques extrêmes, la zone des savanes constitue la colonne vertébrale de l'Afrique de l'Ouest. Aux traditionnels mils et sorgho s'ajoute, depuis le* XVI[e] *siècle, le maïs. La culture, la conservation, la commercialisation et les usages des céréales sont communs à l'ensemble des pays de savane. Aux espaces des céréales se superposent ceux du coton. Culture vivrière et culture de rente sont en général associées dans les exploitations, la succession coton/céréales sur une même parcelle permettant à celui-ci de bénéficier de l'arrière-effet des engrais apportés à celui-là."*[6]

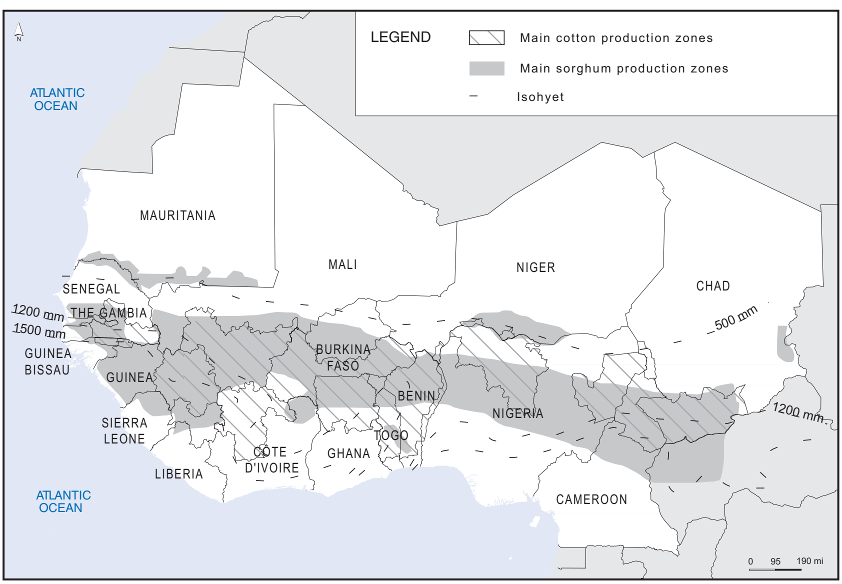
There may indeed be a strong correlation between increased cotton production and increased cereal production. There is evidence from Burkina Faso that the rotation of maize and cotton is favourable for soil fertility. If the fertiliser needed by cotton is applied, better results are observed for maize grown on cotton fields the following year. However, such intensive use of soils and some characteristics of the demand placed by cotton plants on soil nutrients and water can result in soil degradation over time (Hårsmar 2004). The three maps below use FAO data to illustrate the correlation between cotton and cereal production zones in more detail.

Figure 3.1. **Main cotton and maize production zones in West Africa**



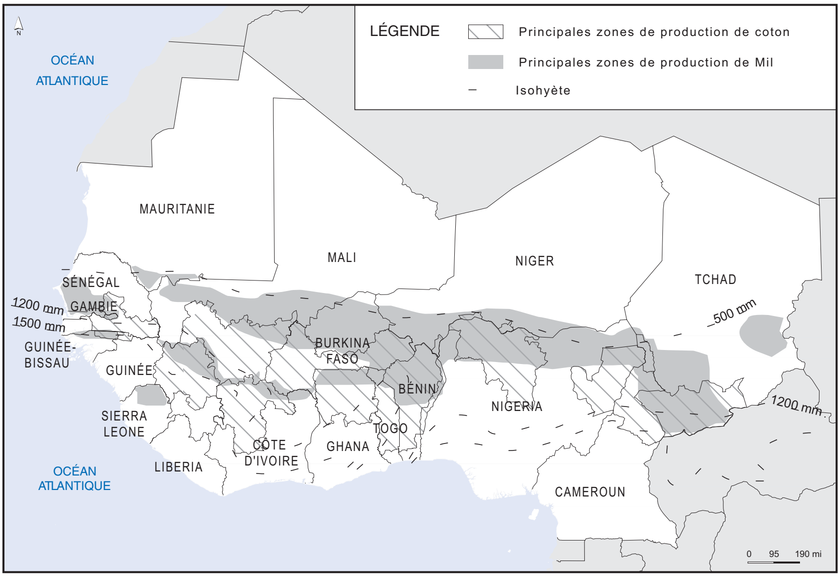
Source: Sahel and West Africa Club/OECD and FAO Giews.

Figure 3.2. **Main cotton and sorghum production zones in West Africa**



Source: Sahel and West Africa Club/OECD and FAO Giews.

Figure 3.3. **Main cotton and millet production zones in West Africa**



Source: Sahel and West Africa Club/OECD and FAO Giews.

The SWAC Secretariat's "ECOLOC" studies on local economies in Mali's Sikasso zone in the 1990s showed that the loosening of the regulatory aspects of the cotton production support framework in the mid-1980s allowed farmers to freely manage the allocation of agricultural inputs. At the same time the CMDT provided incentives to farmers to increase yields from 200 kg to 1 600 kg over time, encouraged limiting areas sown to cotton and provided fertiliser, which farmers distributed across different farm plots. They began to apply this fertiliser to maize for which there was growing urban demand. Maize then became a major cash crop. Farmers increasingly used their animal-drawn ploughs to increase areas sown. Farmers expanded areas cultivated, spreading the use of animal traction from cotton to other fields, and increasingly integrated crop and livestock activities. Similar patterns were observed in Bobo Dioulasso, Burkina Faso and Korhogo, Côte d'Ivoire: between 1984 and 1997, average farm size in the Sikasso zone expanded from 1 hectare to 3 to 4 ha. Between 1977 and 1997, maize production increased from 10 000 tonnes to 70 000 tonnes per year. At the same time, while yields fell, the area sown for cotton rose from 15 000 ha to 78 000 ha. However, this trend changed when incentives to farmers were reduced or shifted (Fok).

The Figure 3.4 above further illustrates the interdependence of cotton and maize production in Sikasso. It shows the remarkable increase in maize

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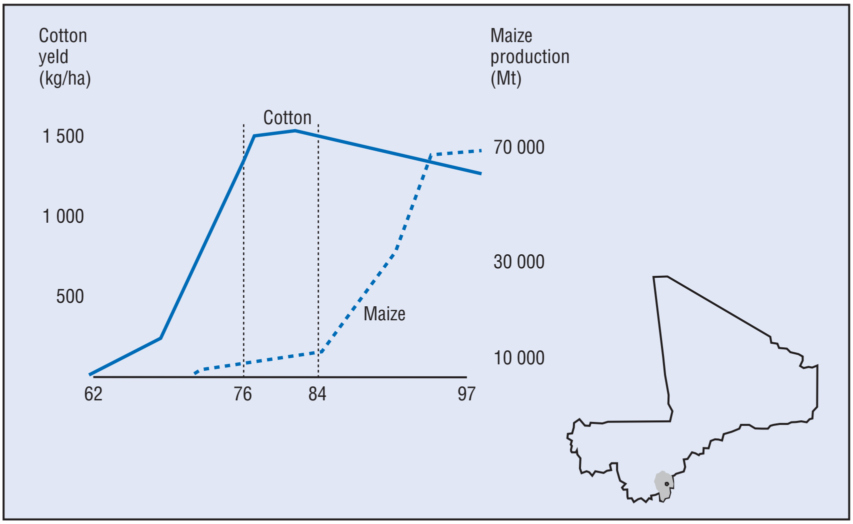
Figure 3.4. **Links between maize and cotton production in Sikasso (Mali): 1962-1997**



Source: SWAC/OECD (ECOLOC Study of Sikasso).

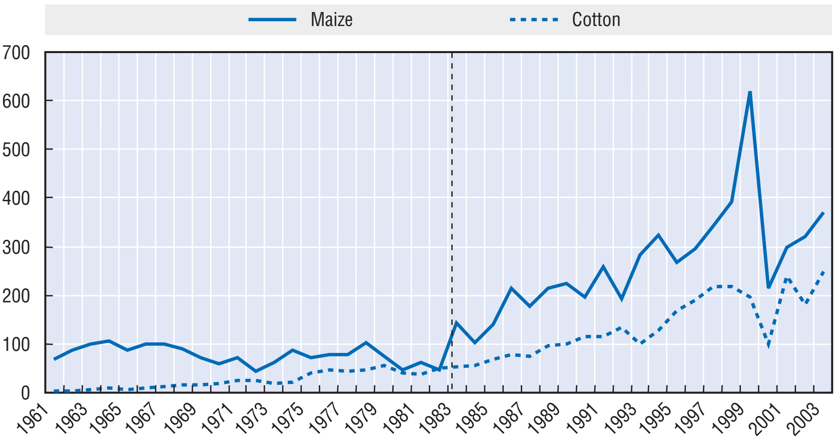
and cotton production and the way in which the maize curve closely follows the cotton curve with an initial gap of 10 years yet rapidly narrowing.

Confirming the linked trends, maize production also declined when cotton production fell dramatically in 2000 to 2001 (Figure 3.5), largely due to a prolonged strike by cotton producers in dispute with the government over cotton sub-sector reforms. It is important to note that however, maize is produced for African markets where demand is variable and tight. Therefore, it currently remains marginal when compared to cotton as cash income. However, this example illustrates that if the cotton production system is seriously damaged, maize and millet production could also suffer and farmers may be tempted to disengage from the market economy. These strategies would likely reduce overall agricultural surpluses and value added available, thus producing negative impacts on poverty, food security, nutrition.

This Figure 3.5 shows that trends in cotton and maize production have been close and interdependent in Mali in recent decades. A major rise in maize production has accompanied rises in cotton production. More recently, the trajectory for maize seems to continue upwards while cotton has stagnated.

This relationship is not primarily due to State intervention or incentives as these became gradually less important after the mid-1980s. Rather, rapid urban growth, rising demand in neighbouring countries, availability of inputs via the cotton support system, and the favourable relationship between maize

Figure 3.5. **Trends in cotton and maize production in Mali**

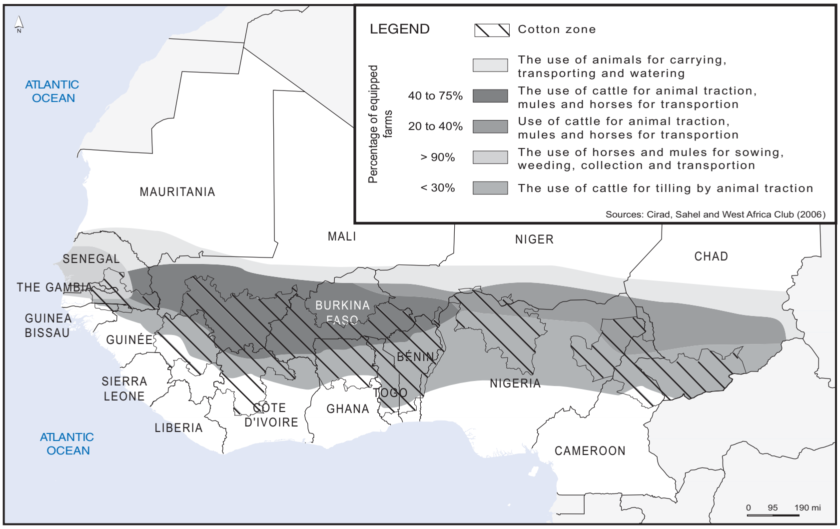


Source: FAO. See *http//apps.fao.org/faostat/*.

and cotton (*i.e.* the capacity to switch to maize which has higher yields per hectare than other key cereals, thus allowing farmers to allocate more land to cotton) have been key factors behind this increase . A similar relationship has been noted by regional actors in other zones between cotton and traditional food grains such as millet and sorghum although this remains anecdotal. This relationship principally arises through sharing of inputs, availability of infrastructure, technical innovation, access to agricultural services and increased capacity to invest in agriculture due to cotton cash incomes. ***These examples also illustrate that family agriculture can diversify in response to changing incentives and demand when the conditions are right.***

Agricultural transformation is accompanying this process, with the introduction of crop rotation and mixed farming systems that combine crop and livestock activities, replacing historic forms of itinerant farming. The current challenge is to introduce effective methods of soil regeneration and end fallow. A similar transformation seems to have begun in other parts of the Sahel. ECOLOC studies in Korhogo and Bobo-Dioulasso have also experienced this type of change, with minor differences. Furthermore, according to Géraud Magrin, the combination of a worsening political climate and volatile cotton prices is causing a similar shift in southern Chad. Although the level of urbanisation in this area is low and the capital, N'djamena, is far from producing zones, overall domestic demand for cereals has increased due to growing urban demand from neighbouring countries (*e.g.* Cameroon and Central African Republic). Chad's “cotton” farmers are producing cereals for these countries, in spite of problems related to distance and poor transport links.

Figure 3.6. **Animal traction and cotton zones in West Africa**



Source: Atlas on Regional Integration in West Africa, ECOWAS/SWAC 2006, *www.atlas-ouestafrique.org.*

Cotton cultivation seems to have played a determining role in the farming systems of the Sikasso and Bobo-Dioulasso area. It is linked to agricultural diversification as well as to the introduction of new techniques related to use of livestock, principally the introduction of animal traction (Figure 3.6). In these areas, cotton farming has contributed to the emergence of mixed cropping, specifically: millet, sorghum and, for the last 20 years or so, maize. Indeed, maize has become the crop known to have the best results in association to cotton due to the existence of agricultural service providers that have promoted this crop association, provided access to inputs, support for post harvest activities, and marketing.[7] Data at the Departmental and District level in West Africa can help to illustrate the role of cotton in promoting cereal production – particularly maize, millet and sorghum, which are all key crops for food security. Taking the examples of Benin, Burkina Faso, Mali, the following graphs illustrate the correlation between cotton and cereals at a local level.

The links between cereal and cotton production differ according to the production zone. In the Sikasso, Korhogo, Bobo Dioulasso areas, the association of cotton and maize has been stronger than in other regions. On the other hand, the cotton/sorghum/millet association seems closer in Burkina Faso's Tapoa and Sissili zones. These associations are continually changing in response to opportunities and constraints in markets, availability and affordability of inputs, and change in the natural and policy environments.

Figure 3.7*a*. **Evolution of the production of cotton and cereals in regions of Burkina Faso, Mali and Benin**

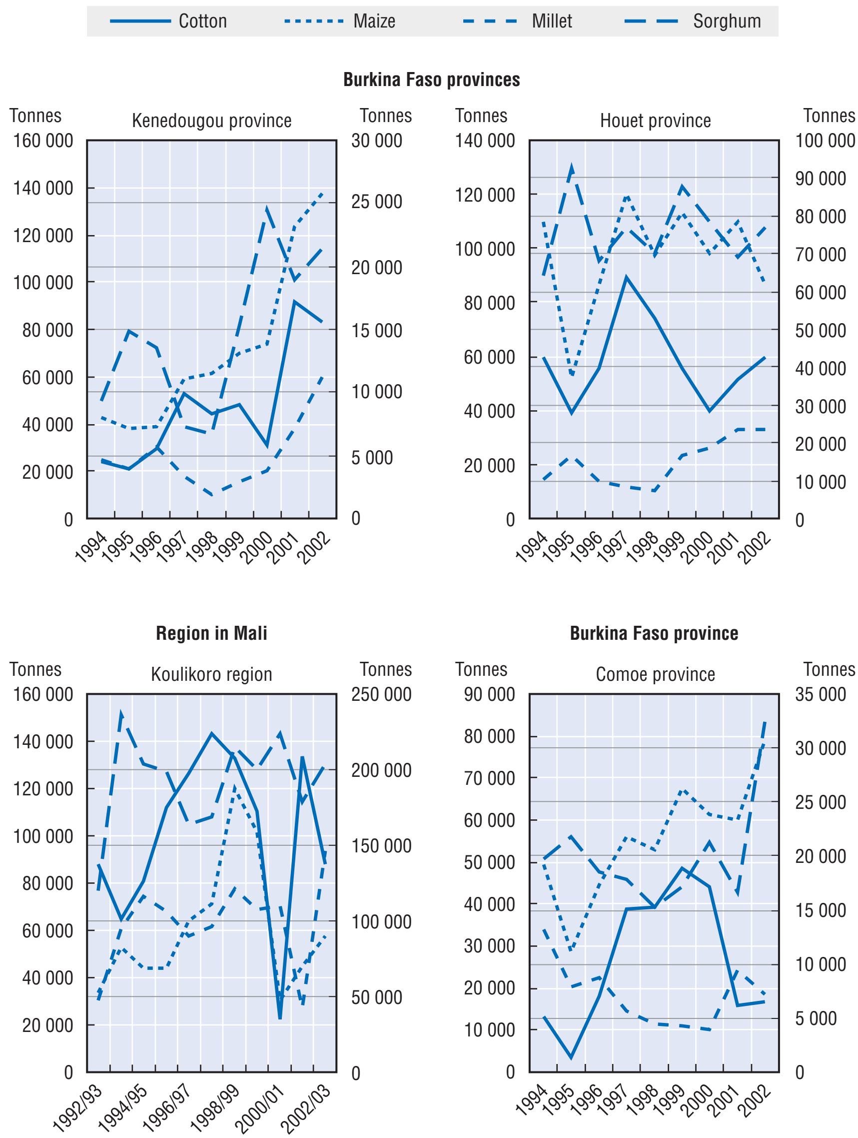
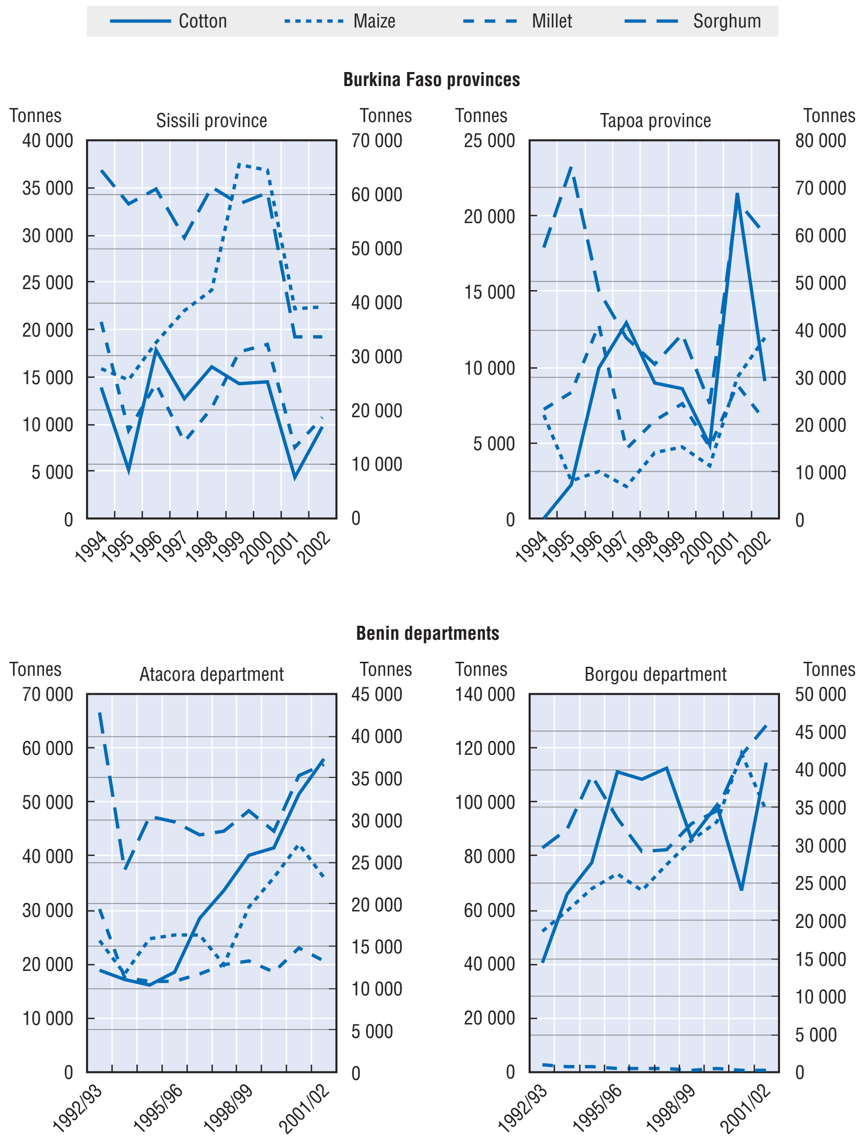


Figure 3.7*b*. **Evolution of the production of cotton and cereals in regions of Burkina Faso, Mali and Benin**



Despite the apparent stimulus cotton production may provide to cereal production in certain zones, links between nutritional status and cotton production are complex. On the one hand, evidence presented here indicates that there has been a positive relationship between cotton production and cash incomes in good years, which should result in an increased capacity of rural households to purchase food. However, a detailed set of field studies undertaken under the Mali Agricultural Growth-Nutrition Linkages Project led by Michigan State University seem to indicate that nutritional status and access to food, particularly by vulnerable groups such as children, might have been lower in some cotton production zones than elsewhere.[8] One of this Project's studies indicates that up to 50% of children aged 12 to 17 months suffer from retarded growth due to malnutrition in cotton zones, as opposed some 32% in zones devoted to the cereal production. This is surprising as the cereal production dependent zones, such as Mali, actually have a food production deficit in relation to consumption needs. This study indicates that this problem is in part gender-related: a more important proportion of household revenue tends to be earned by the male head of household in families that produce cotton. Vulnerability to fluctuations in cotton prices (and thus household incomes), lack of nutrition advice and monitoring in health centres or, indeed, sub-optimal food preparation and consumption preferences might also contribute to this situation. Further work is needed to confirm the relationship between nutrition and cotton production, and the underlying causative factors across West Africa.

Key questions

- Are the links between cotton and cereal production dependent on geographical area or agro-climatic zone? Are the key determinant policies, agro-ecological conditions or farmer strategies defined by culture and practices?
- Is the relationship between pastoralism, livestock rearing, milk production and cotton production always positive across the region? What effects will a decline in cotton production have on livestock production and the availability of milk and meat over the medium- and long-term?
- What are the relationships between cotton production, access to food and nutrition? Where infant nutritional status is poor in cotton production zones, what are the underlying determinants of this situation? How can an equitable intra-household distribution of the benefits of cotton-based cash incomes be encouraged?

African farmers have demonstrated that they are ready to adapt their livelihood strategies where possible and beneficial, respond to demand and diversify when it is possible to do so and incentives exist. Various proposals have been made for diversification over time such as promoting production of gum Arabic, vegetable fuels, or cashew nuts or diversification strategies

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combined with water retention methods (see Fok *op. cit.*). However, such diversification may not be possible in many parts of the Sahelian zone and in many cases new activities require initial investment that funders have often failed to support. This will be the case for remote areas poorly connected to urban grain markets. Indeed, there are limited alternatives to cash crops and other income earning opportunities. Even where diversification possibilities are feasible, a long term decline of cotton production could therefore be accompanied, at the local level, with a decline in the cultivation of maize and other associated cereals with perhaps unintended consequences for supply of food grains to urban centres, farmer incomes and food security. At the national level, a decline would threaten the stability of state budgets through the fall in export earnings.

For Sahelian countries and zones more dependent on cotton production, a longer term transition process is probably necessary. This would involve targeted investment over time in economically viable alternative economic activities and creation of new markets, accompanied by a carefully sequenced withdrawal of support for the cotton sub-sector over a period of 10 to 20 years.

The need for a ***gradual process of cotton system reform appears to be necessaryin African countries*** given the sub-sector's important contribution to wider agricultural innovation, development and livelihoods, and the continued agricultural support provided to the cotton sub-sector in OECD producer countries, particularly in the US and European countries that may have a downward affect on prices. The North as well as China remain net consumers of cotton most years as they require enormous amounts to satisfy their textile industries hence its agricultural support has minimal downward impact on world cotton.

4. Access to infrastructure and services

Cotton production has led to the development of socio-economic infrastructure and farmer services through at least two different approaches. In countries like Mali, what has been called the "cotton system" took shape where cotton companies have historically been very strong. In others, such as Chad, communities could use cotton-related payments to farmers allowing them to invest in local social services.

In countries that have historically had a strong coordinated cotton production system, an elaborate network of producer support services and infrastructure helped facilitate access by producers and in many cases access by the wider community to inputs and extension services, to new skills such as organisational management, health centres, pharmacies, schools, and roads. This is especially the case for the key producers in the CFA Franc zone. These coordinated services and infrastructure were designed to increase and sustain productivity in a strategic sector of the economy and were usually provided by the State or national cotton companies. It was also hoped that this might attract young educated people in urban areas to return to rural areas and invest in rural development, although there is little evidence on whether this has been achieved. The integrated support system has thus contributed to an increase in well-being and human development, and could serve as a model for promoting the contribution of agriculture to wider development in other zones. A rapid analysis of data available for Mali in the late 1980s implies that there is a correlation between cotton production areas and improved access to social as well as economic and productive services (see tables below).

It could be that the combination of services provided has even been a key stimulus to the link between cereal and cotton production and an agricultural revolution in certain areas. Current reforms in the cotton sub-sector in certain West African countries may lead to a scaling back of these services (see Box on extension services in Mali, below). If there is a collapse of cotton production in response to falling prices and reforms in the provision of services in cotton zones, this could have unintended consequences not only for wider agricultural development but also for human development and the attainment of the Millennium Development Goals. This relationship merits further confirmation through field work on the evolution of livelihoods and access to services in cotton zones compared with non-cotton producing zones in the current period. If access to such services has degenerated, and with it human development indicators, continued investment in such services may be justified.

Further examples from Mali and Chad illustrate the importance of the cotton production support system in providing access to infrastructure and services. Besides supporting agricultural production, cotton companies such as CMDT in Mali provided economic infrastructure *(e.g.* rural roads) and social infrastructure (*e.g.* training of producer organisations; health and education services; access to drinking water) with a view to improving the overall productivity of the system and more broadly human development.[9] The CMDT initially focused on a more narrowly interpreted economic mandate. It was entrusted by the government with this wider function of service provision on the basis of its network of staff, links with poor rural communities and strong external donor support for integrated rural development approaches. Provided to the entire community, these services benefited the livelihoods of more than solely cotton producers themselves. Hence, in 1987 regions such as Koulikoro and Sikasso seemed to be better equipped with socio-economic infrastructure than other regions in Mali, excluding Mali's capital Bamako. For example, the ratio of the number of inhabitants to school for each dispensary was generally lower in cotton producing regions (see table below). It would be useful to confirm this ratio today after many years of reform, economic adjustment and liberalisation and population growth. Furthermore, it is important to confirm the impacts of reform

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Table 3.1. **Distribution of social services in Mali (1987)**

Regions (1987)	Population	No. of inhabitants/ dispensary	No. inhabitants/ school	No. inhabitants/ drinking water point	Dispensaries (%)	Schools (%)	Drinking water points (%)
Kayes[1]	1 066 968	9 198	5 009	82 074	1 386	1 295	151
Koulikoro[1]	1 197 770	4 970	3 103	9 818	2 879	2 347	1 415
Sikasso[1]	1 310 750	7 490	4 648	15 066	2 091	1 714	1 009
Ségou[1]	1 339 650	11 450	5 902	6 665	1 398	138	2 332
Mopti	1 282 600	11 660	7 329	80 163	1 314	1 064	186
Tombouctou	459 316	17 666	7 291	45 932	3 11	383	116
Gao	380 725	15 229	5 288	38 073	2 99	437	116
Bamako	658 287	24 381	2 900	1 633	3 22	138	4 675
Total	7 696 066	12 755			100	100	100

1. Cotton producing zones in Mali.
Source: Étude d'investigation et de diagnostic sur la situation de l'aménagement du territoire au Mali, November 2003.

and disengagement from certain social functions on the overall human development impact of cotton production in these zones.

In Chad, the situation is somewhat similar: "for villages in the cotton zone, revenue from cotton is the sole source of community development devoted to the satisfaction of their basic needs and the improvement of their quality of life."[10] Community development is based on investments in collective resources at the village level: schools, dispensaries, credit groups, stores, water pumps, etc. These resources were also available to people who did not produce cotton. Farmers fear that these investments might disappear with reforms in the cotton sub-sector underway. This would result in less income or resources to maintain or replace community equipment and infrastructure.

However, regarding access to agricultural services, the data is less clear-cut: the cotton company in Burkina Faso, SOFITEX, has had its own extension agents since 1992, numbering some 480 agents for 200 150 cotton producers. That is a ratio of 2 extension agents for 1 000 farmers, less than the FAO recommended minimum. Even if there are more cotton sub-sector extension agents in Mali now, the ratio to producers is still relatively low with 4 agents per 1 000 farmers. Table 3.2 provides the number of extension agents for the cotton sub-sector in Mali and Niger. This ratio has to be considered in conjunction with the farmers who were trained to play a "*relay*" extension role to other farmers. In Mali, the technical teams in village associations were expected to provide technical support previously provided by extension agents, to farmers at the local level. Some have argued that this relay farmer system was relatively successful when compared to the weaknesses of government extension systems based on Training and Visit methodology (see Fok *op. cit*).

Table 3.2. **Extension agents in the Mali cotton system**

	1998	1999	2000	2001
Total No. of CMDT technical agents	1 187	1 160	1 126	1 191
Total No. of technical agents in the OHVN		153	160	156

Source: Data from Resocot IER/CIRAD, 2003. CMDT: Compagnie Malienne de Développement des Textiles. OHVN: Office de la Haute Vallée du Niger.

5. Institutional development and producer organisations

Another key development is that the historic support for institutional development in cotton areas provided by cotton companies or agencies has facilitated the rise of strong producer organisations. For example, in Burkina Faso, the UNPCB has emerged as an influential national cotton producer organisation ready to represent and advocate the interests of its members in national, regional and international policy fora.

Producers are participating effectively and increasingly in national and regional agricultural policy formulation although producer representatives are not consistently involved in decision-making on the cotton sub-sector. However, producer organisations are not all equally structured, close to their membership and able to effectively interact in national, regional or international policy arenas. Indeed, a community development/producer organisation-strengthening approach to cotton development in the FCFA zone has not only enhanced technical and productive capacities in relation to cotton, but has also contributed to improved agricultural practices and overall living conditions. This is due to income from cotton but also secondary activities, *e.g.*: coordinated marketing of cereals; support for additional economic activities (*e.g.* CMDT support for livestock development and income generating activities for women in Mali).

6. Equity and sustainable development

As noted, where cotton production support structures have existed in West Africa, cotton producers and their families have often benefited from multipliers that reduce vulnerability to poverty, increase cash income, improve access to schools and clinics (via extra earnings or services provided by cotton companies). However, links between cotton production and nutrition levels had to be investigated. Furthermore, the gender, equity and sustainability issues surrounding cotton production and trade are also complex.

The ***gender and equity impacts of cotton production*** are also worth considering. There are more detailed studies on these aspects elsewhere that will not be cited here. It is worth noting here that the successes related to cotton have led to cotton producers being considered as better-off, having more access to services and more capable of emerging from poverty. The need to continue investment of governmental and development aid in a productive sub-sector such as cotton has been questioned in a policy context where aid and development programmes focus on poverty reduction. Furthermore, there has been some evidence of inefficient resource use by cotton companies, creating the climate for the current emphasis by international finance institutions on the reform and privatisation process in the cotton sub-sector in West Africa. However, while incomes from cotton production have not always been equitably distributed, there is evidence that cotton production and related multipliers produced positive social change in rural areas. Cotton production instigated change that was not always positive, including inter-generational conflict for control of assets and profits, modification of farm holdings etc. However, women and children have gained in voice, skills and access to assets through the income derived from cotton production and the support system.

The ***sustainability*** of cotton production is a key consideration. There are three dimensions to sustainability: economic; environmental; and social sustainability. In the current environmental and international economic context, it would be reasonable to have serious concerns as to the environmental, economic, financial and social sustainability of West African cotton. UNCTAD held a major regional policy workshop involving important international agencies, West African Ministries, private sector and producers on this issue in March 2005. A detailed report was discussed that examined the sustainability of the cotton sub-sector in main cotton producing countries in West Africa: Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Mali and Togo.[11] The study aimed to assess how to optimise the productivity of the cotton-based agricultural production systems in West Africa while maintaining sustainability and proposed a programme to improve the sustainability of cotton production in West and Central Africa.

With regard to environmental sustainability, the damaging health and environmental effects of improper use of chemical pesticides and fertiliser banned products and other inputs were highlighted. The need to switch to organic substances and inputs was underscored, although the economic viability of this approach in the short term is unclear. Obviously, the same levels of production could not be maintained in West Africa if an attempt was made to shift completely to organic production.

While African cotton is generally of good quality and cost competitive, the UNCTAD meeting confirmed that there is much room for improvement in the way the value chain operates, input supply networks, quality assurance and marketing. Given that cotton is an input-intensive crop, the environmental effects of input use need careful consideration in the sub-sector's sustainability. Each area of sustainability needs to be addressed:

- ***social sustainability*** (strengthening of cotton producer organisations; increased participation of producers in international value chains; gender equality and equitable access to services and profits related to cotton production, etc.);
- ***economic sustainability*** (strengthening access to inputs, supply and marketing thus increasing productivity; developing quality and traceability of products to ensure capacity to sell to international markets and benefit from opportunities offered by fair trade initiatives; increase value-added via, for example, efforts to develop cotton fibre and cotton seed processing activities in West Africa such as oil and animal feed; establishing effective and resilient credit and financing systems, etc.). A sustainable cotton sub-sector may, according to some, now depend on increasing the capacity to process cotton fibre in West Africa and the regional trade of finished products;
- ***environmental sustainability*** (increasing soil fertility; increasing the use of organic fertilisers and pesticides where feasible; and developing both regional markets for cotton products and international markets for cotton of African origin).

The following issues need to be urgently addressed:

- deepening the understanding of the complex factors affecting the competitiveness of West African cotton: balancing the effects of agricultural subsidies and price drops against high cost of inputs, a poorer production cost/sale price ratio; falling yields and productivity; inconsistent size of fibres and quality; and the impact of inefficiencies in the cotton support system;
- addressing environmental and health hazards and shifting to the use of more sustainable integrated pest management techniques;
- investing in measures to improve the organic status of soils through promoting the use of organic inputs and organic matter and in integrated soil management and crop protection techniques;
- spreading participatory and consultative approaches to agricultural service delivery and increasing access to agricultural innovation;
- strengthen the skills and capacities of producers and their organisations;
- addressing producer indebtedness related to the cost of pre-financing inputs;
- developing markets for fair trade and organic cotton in the region, primarily, in the North;

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- maintaining the State's capacity to perform its regulatory functions and guarantee producer access to agricultural services whether supplied through the public or private sectors.

Despite the importance of addressing these issues related to sustainability, two priorities for action stand out:

- the importance of achieving rapid progress in reducing northern agricultural support measures that can distort prices on international markets; and
- developing economically viable options for diversification and comprehensive development strategies for the region that go beyond cotton and agriculture to embrace new rural-urban linkages, as a single sub-sector such as cotton will not be sufficient to provide the growing population in the region with a sustainable route out of poverty.

Key questions

- What is the most appropriate mix of public-private-producer organisation responsibilities to meet requirements for liberalisation while maintaining the holistic approach to producer support that may best foster innovation processes, productivity and competitiveness of agriculture in West Africa? Can value chain analysis help identify the most effective and complementary roles for these actors in their partnership to dynamise agriculture?
- How will the cotton sub-sector reform and the CMDT privatisation process affect producer access to agricultural inputs, fertiliser, technology and profitability? What will be the gains in terms of efficiency, market opportunities and incomes? What will be the losses related to the dismantling of the cotton support system? How might changes in access to inputs and innovation, particularly by poorer producers affect the production of food crops, producer livelihoods and broader agricultural development? Who will ensure continued producer access to technical support, inputs and infrastructure? Are there lessons from cotton sub-sector reform processes in other parts of Africa on how to strike the right balance between State and private sector roles? (see perhaps the experience of Mozambique).

Notes

1. The agricultural innovation case studies can be accessed on the web at the following address: *www.oecd.org/sah*, click on cotton, then additional SWAC materials.
2. Poaching is a way of selling seed cotton without paying the input credit due. It is generally done through collusion between the buyer and the seller. For example, a

grower having received inputs from well established company A does not sell his cotton to A, as he should, because A would deduct the cost of inputs. Instead, he sells his seed cotton to B who sends it for ginning to C. The fiber is then exported by B or C without repaying the input credit due to A. When the practice becomes widespread, A closes its credit facility. See Goreux, L, Reforming the Cotton Sector in Sub-Saharan Africa, 2003,

3. Including ENDA, GRAIN, and the Coalition pour la protection génétique in Francophone Africa.

4. For the conference closing statement by the US Under Secretary, Farm and Foreign Agricultural Services see *www.fas.usda.gov/icd/stconf/event6/event6pennclosing.html*.

5. See SWAC contributions to this event: *i)* Hitimana and Hussein, SWAC (2005) *Agricultural biotechnology and the transformation of West African agriculture: Regional challenges, access, regulation and future perspectives*. Background document to inform a regional consultation. SWAC Secretariat, June. *ii)* Zoundi, J. (2005) *Agricultural biotechnology and the transformation of West African agriculture: Challenges and regional perspectives*. Summary of the regional consultations of West African actors. SWAC Secretariat, June. The main conclusions and recommendations of the Ministerial conference can be found at : *www.coraf.org/documents/report%20final.pdf* .

6. *La régionalisation en Afrique de l'Ouest*, Roland Pourtier, 2003. "Wetter than the Sahel and with that spared from the extreme climatic crises, the Savanna zones form the spine of West Africa. In the 16th century corn was added to the traditional cereals of millet and sorghum. The cultivation, storage, trade and use of these cereals are common to all of the Savanna countries. Cotton cultivation areas are superimposed on cereal cultivation areas. Food crop cultivation and cash crop cultivation are generally associated, the cotton/cereal rotation on the same parcel of land allowing them to benefit from the after effects of the fertiliser provided by previously planted crop."

7. See *Espaces frontières et intégration régionale, le cas de SKBo* by Enda Diapol, published by the SWAC.

8. See Tefft, J., *et al.*, 2003 at: *www.aec.msu.edu/agecon/fs2/fact/malinutritionfact.htm*.

9. J. S. Zoundi, 2003: *L'innovation technologique dans le processus de changement structurel de l'agriculture familiale en Afrique de l'Ouest*. SCSAO Paris.

10. *Analyse de l'impact social et de la pauvreté. Réforme du secteur coton au Tchad. Analyse qualitative ex-ante, Première phase* (no date).

11. Resources available at: *http://r0.unctad.org/infocomm/anglais/cotton/sitemap.htm*. The workshop was entitled *Amélioration de la durabilité de la production du coton en Afrique de l'Ouest* and the report debated at the workshop was drafted by Peter Ton (Ton 2004).

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Chapter 4

West African Perspectives: Challenges for the Cotton Sub-sector

In recent years the SWAC Secretariat has, through meetings, special events and field visits, held ongoing consultations with a wide range of regional actors on the priority issues facing the cotton sub-sector in West Africa. This has included governments, regional organisations, NGOs, private sector, producers, etc. Notwithstanding some competing interests and differing perspectives, there is a high degree of consensus among regional actors on the key stakes regarding the issues facing the cotton sub-sector in West Africa and wider implications for agricultural development. Key points emerging from these consultations merit careful consideration in the development of regional and international initiatives to address the difficulties faced by the African cotton sub-sector in the years to come.

i) It is urgent to ***find a solution to low prices and price volatility*** in order to avoid long term damage to the West African cotton sub-sector. Many producers and traders in the region argue that the West African cotton sub-sector could be irreparably damaged or destroyed in the next 15 to 20 years if fundamental trade and price problems are not addressed. The risks related to prices are compounded by the phenomenon of upstream integration by international cotton traders observed by Michel Fok. According to his analysis, cotton transactions are becoming mainly intra-firm exchanges which can generate conditions on prices that hold potential risks for cotton producer countries. Although the problems faced by the cotton sub-sector could be seen as symptomatic of underlying structural problems in the development of African agriculture in the context of integration with the international economy that can only be resolved over time, cotton remains a special case due to its importance to the Sahel and the continued existence of a national support infrastructure in some countries.

To reiterate, from 1997 onward, there was a structural collapse in the price of cotton by approximately 39% between 1997 and 2002 to a rate estimated at below production cost; it bottomed out at 35 cents/pound in October 2001, although it has risen to over 50 cents/pound in subsequent years. This has had a major impact on mainly poor producers' incomes and has become a crisis for countries dependent on export revenue. Many argue that this is directly due to the effects of international overproduction directly resulting from production and export subsidies in the North. The level of support to agriculture as a whole in the North is enormous; international subsidies for the cotton sub-sector have been estimated at some $6 billion per year

(Agriculture et Développement Rural, Vol. 11, No. 2, 2004). US subsidies to its 25 000 cotton farmers have been estimated at $2-3 billion on average per year since 2000 ($3.7 billion in 2003). European cotton producers in Greece and Spain have annually received some $0.7 billion. Table 5 below gives an indication of the scale of production and export subsidies in the major cotton producing countries. ICAC estimated that for sub-Saharan producers as a whole, losses in income linked to subsidies to cotton production on other continents were estimated at $920 million in 2001/2002 and $230 million in 2002/2003. The impact on West African countries with a high dependency on cotton, such as Benin, Burkina Faso, Chad and Mali was substantial. It is not surprising that these are the four proponent countries of the cotton initiative at the WTO (see Townsend, 2004).

Over-production and supply to international markets due to these incentives in the North should directly reduce international prices for cotton to the detriment of West African exporters. To address this, key cotton producer countries in West Africa proposed the elimination of these subsidies over the medium-term, as a support by the international community to the sub-sector, and compensation for the losses related to price falls they argue are directly due to subsidies in the short-term. Initially, the amount of compensation demanded by Benin, Burkina Faso, Mali and Chad in 2003 was some $250 million per year. In January 2005 at a conference on cotton in Mali, the West African states reiterated the demand for compensation of $400 million. While a politically charged issue facing strong resistance from countries providing subsidies, there is clearly a need for international trade negotiations at the WTO under the Doha Development Round and the EU Economic Partnership Agreements to address these complex problems directly and fairly. This question will not be explored in greater detail here as a number of more refined and detailed analyses have been undertaken elsewhere (see *e.g.* Goreux, 2003).

ii) Public ***awareness of the importance of policy coherence in wealthier nations in order to support development and poverty reduction efforts*** needs to be raised. Better understanding of the actual impacts of different national and international trade and agricultural policies on Africa at the regional, national, local and household levels could provide evidence to support targeted action to address these. The OECD, a number of development agencies, research institutions and NGOs are working on the development of effective methods to analyse policy impacts. These could be applied in field studies in cotton zones.

iii) As noted in regional meetings of private sector operators in the cotton sub-sector under the aegis of the Association Cotonnière Africaine (ACA), specific actions are necessary to ***improve the quality, efficiency and competitiveness of West African cotton*** on international markets (in terms of cost of inputs and labour, yields, price, etc.).

iv) ***Opportunities for rural diversification*** need to be explored over time and related upstream and downstream infrastructure developed. However, diversification will not solve the current price crisis. Instant solutions and ready-made alternatives for producers in the rural Sahel are few and far between; options currently available are unlikely to be sufficient, particularly in the Sahel. Time will be required to develop viable economic alternatives. During this period there is a case for continued support to this sector. Excessively rapid reform in West Africa could seriously harm poor producers and destabilise national finances in a number of countries most dependent on cotton.

v) ***Targeted protection and support for strategic agricultural commodities or sub-sectors such as cotton and use of WTO provisions allowing special treatment*** may need to be considered to support the development of West African agriculture and identify areas of comparative advantage in a highly competitive international market. This is necessary given that the international economy is not a level playing field. Agricultural support measures and increased investment may be needed for some time as has been the case in Europe, the US and many Asian countries. However, such measures are difficult to envisage for African countries facing financial constraints. Fostering *regional* markets and processing capacities may be a way forward. Regional organisations such as ECOWAS may have a key role to play in terms of fostering targeted agricultural support measures that go along with international and inter-regional trade agreements.

vi) ***Developing processing capacity in the region*** to allow for increased value added to cotton fibre, grain and oil products is a key recommendation of the WAEMU. However, it is unclear who will finance such initiatives, particularly given the economies of scale commanded by other players in the international system. Most West African textiles would not be able to match the price/quality ratio of Chinese or other Asian textiles for a very long time, especially now that the textile trade quota system has been removed. Hence in an open market, West African textiles may not find sufficient markets over the short- and medium-term. Some therefore argue that West Africa has no international comparative advantage in textile production and consider the proposal to develop regional processing capacity and the textile industry as unrealistic. One option might be the targeted protection of a nascent textile industry. However, this would be difficult given the regional and international political context and relatively open borders in West Africa.

vii) ***There is much scepticism in West Africa about the emphasis some international development agencies place on the need to diversify agricultural***

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Table 4.1*a*. **Production and export subsidies to the cotton sub-sector in the US, China and EU**

A. Production subsidies

	Direct production subsidies (millions USD)		Production (thousands of tonnes)		Production subsidies (cents/kg)	
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03
US	3 001	1 996	4 420	3 747	67,9	53,3
EU	979	757	542	475	180.6	159.4
China	1 196	750	5 324	4 916	22.5	15.3
All countries	5 844	3 800	21 475	19 295	–	–

Source: ICAC, 2004 et REPA, 2004 (Cotons d'Afrique face aux Subventions mondiales).

Table 4.1*b*. **Production and export subsidies to the cotton sub-sector in the US, China and EU**

B. Export subsidies

	Export subsidies (millions USD)		Exports (thousands of tonnes)		Export subsidies (cents/kg)	
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03
US	100	182	2 395	2 591	4.2	7.0
EU	–	–	361	334	–	–
China	21	50	81	172	25.9	29.1
All countries	–	–	6 477	6 600	–	–

Source: ICAC, 2004 et REPA, 2004 (Cotons d'Afrique face aux Subventions mondiales).

production, to deepen liberalisation and implement more reforms in African agriculture. This has been proposed in order to resolve specific problems facing the cotton sub-sector, and also, more broadly, to make African agriculture more productive, efficient and capable of competing in international markets. Indeed, some regional actors ask what new reforms are possible after extensive liberalisation since the 1980s and argue for more agricultural support – not removal of what is left of the cotton support system. Diversification can provide important economic opportunities as has been demonstrated by some emerging economies in Asia (*e.g.* Viet Nam). However, diversification must be sound and based on real market opportunities; it must not simply promote an exit from cotton and entry into equally vulnerable agricultural commodities. Furthermore, in order to avoid the "fallacy of composition" problem, where too many actors are encouraged to diversify into the same products hence causing a glut on regional and international markets and possible collapse in commodity price, countries need to develop differentiated strategies appropriate to the specific conditions of their economic and environmental context.

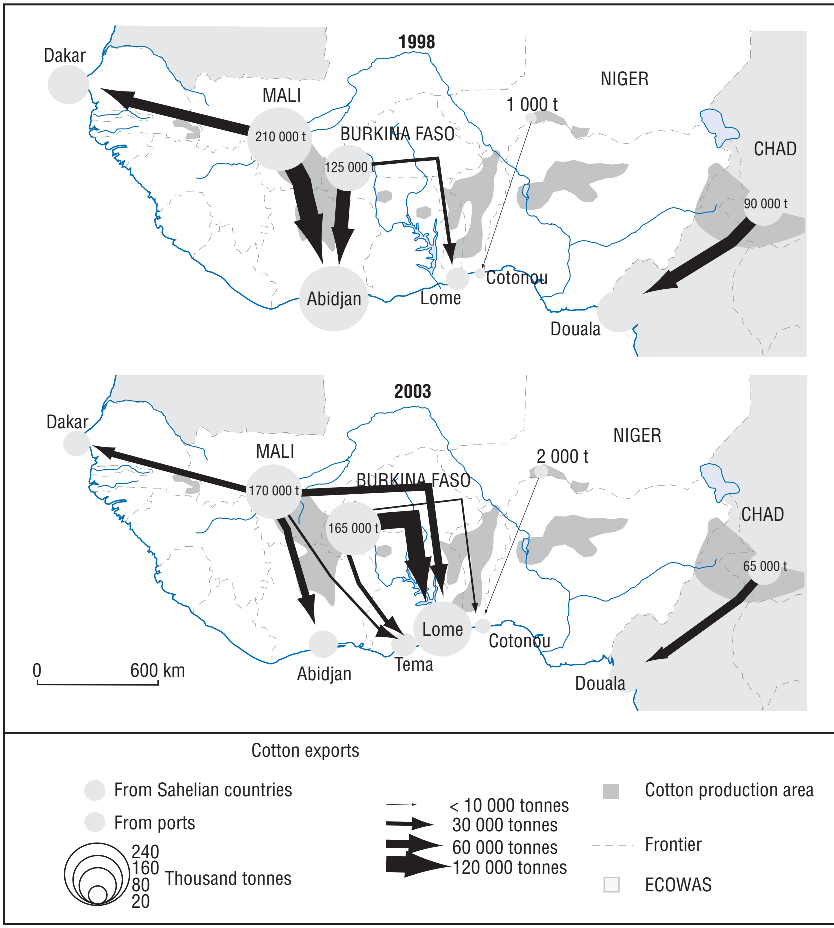
viii) ***Since 2002 the crisis and conflict in Côte d'Ivoire has had a profound impact on the regional economy and trade of neighbouring countries.*** Data is emerging to show that the transport and trade routes from landlocked cotton-producing countries to the coastal ports has changed dramatically. Prior to the conflict, Abidjan was the main export port of Sahelian cotton in West Africa. Now, it seems that the routes have changed and most cotton exported from Mali and Burkina Faso is routed through, first, Lomé (Togo), second, Tema (Ghana), and in smaller amounts, via Cotonou (Benin) and Dakar (Senegal). The medium- and long-term economic and social impacts of this re-routing of the cotton trade merit further analysis. Should regional actors consider establishing a protected regional corridor for cotton marketing to protect the interests of the Sahelian cotton producing countries?

ix) Finally, regional actors continue to highlight the importance of addressing the trade-related aspects of the cotton crisis at the same time as addressing aspects related to the development of agriculture as a whole and the cotton sub-sector, in particular. They continue to underline the need to resolve the thorny issue of the downward impact of northern subsidies on international cotton prices and call for the adoption of measures aiming to support the sub-sector and its principle actors in need. While this issue is highly political, and relates to trade rather than strictly development aspects of cotton as defined by the WTO, it will be critical to find concrete solutions to these problems over the medium-term in order to create a more level playing field for African cotton producers in the international economy.

The Brazil-US Dispute Settlement Panel decision in September 2004 that ruled in favour of Brazil was a landmark case demonstrating the importance of a multilateral rule-bound system for regulating international trade. This case addressed Brazil's complaint against US subsidies on upland cotton and the distortions in international cotton markets generated by the US support mechanisms for the cotton industry, include direct payments, export-credit guarantees, production-related support and so on. This case was the only dispute settlement case to be filed in the WTO specifically regarding cotton. It is also the first WTO ruling in which a developing country has challenged an OECD country's farm subsidy programme. Despite an appeal against this decision, it was decided in a landmark WTO ruling that "a causal link exists" between the price-contingent subsidies and significant price suppression on international markets, and that this link is not attenuated by other factors and that the effect of the price-contingent subsidies for marketing years 1999 to 2002 is significant price suppression in the same period.* This ruling increased political sensitivities

* See: *www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm*.

Figure 4.1. **Cotton export corridors from Sahelian countries following the start of the Ivorian conflict (based on data from 2003)**



Source: Sahel and West Africa Club (2005).

around the case which was to become viewed as a precedent – thus perhaps inadvertently undermining the "buy-in" of all countries into the regulated international trading system. The interim ruling also coincided with the end of the so-called "Peace Clause" (Article 13 of the Agreement on Agriculture) which imposed some restraint on filing disputes in WTO regarding subsidies that are potentially inconsistent with WTO rules.

There are a wide range of proposals currently on the table to address the development aspects of African cotton and support the development of the cotton sub-sector. These include: first, restoring trust between the key non-governmental, private sector and governmental actors in the cotton sub-sector in West Africa and between these actors and the international community; continuing efforts to coordinate the sub-sector, while accepting the different roles of the multiple actors involved; establishing a regional support fund and regional processing capacity; promoting diversification opportunities, particularly into activities that can attract significant value-added from agricultural production; establishing risk management or insurance schemes to help producers address price volatility and seasonality; the establishment of mechanisms to monitor the impact of subsidies; or trade capacity building initiatives.

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Chapter 5

Ten Strategic Questions for African Cotton Sub-sector Support Initiatives to Address

1. Vulnerability of family farms to international price shocks

i) Family agriculture in Africa appears to be far more vulnerable to price falls on international markets than in other countries, including in Europe and the US. This is linked to interconnections between cotton production and other economic sectors, inadequate policy reform, and the need to maintain diverse livelihood strategies at the household level in order to maintain income levels. How are farmers adapting their strategies to cope with the fall of the world price of cotton? Is there a case for national investment in and support for the regional textile industry for a given period until it can effectively compete with imported products? This merits a regional debate to be organised in order to identify a solution that takes into account the interests of the diverse actors in the African cotton sub-sector.

2. Appropriate macro-economic policies to promote economic and sectoral development

ii) As cotton is a commodity produced in a key productive sector of African economies, agriculture, are multilateral aid activities or Poverty Reduction Strategies the most appropriate instruments to address the difficulties faced by the cotton sub-sector in West Africa? Or, as this should be a productive economic sub-sector, is it not more appropriate to promote economic development programmes to stimulate the sub-sector and develop strategies to encourage investment, both public and private?

3. Agricultural innovation in the cotton sub-sector

iii) What is the role of biotechnology in cotton sub-sector development and how should its introduction be regulated at the regional and national levels? What investments in soil fertility and improvement (Soil and Water Conservation etc) are necessary to obtain positive benefits from cotton production over the medium- and long-term?

4. Agricultural diversification

iv) How might agricultural and non-agricultural diversification provide another route other than cotton to adding value in agriculture for small farmers and what types are feasible, particularly in the Sahelian Zone?

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What concrete initiatives are necessary to support diversification? Who will invest funding for inputs, processing, marketing and transport links? How will producers be able to carry out these activities?

v) What types of non-agricultural diversification opportunities are available to Sahelian and West African farmers? Will they really provide a sustainable alternative route to gaining cash income and adding value? Where will the infrastructure come from? Who will invest? How will farmers be able to undertake these activities? What will the State and external partners do to support and create such opportunities?

vi) What conditions are required to attract local and foreign investment to support cotton sector development and diversification?

5. Developing processing capacity: building the regional textile industry

vii) The WAEMU proposal on developing regional processing capacity provides an example of what might be done at the regional level. Given past efforts with mixed results, how might support for a new regional textile processing strategy really foster a profitable and competitive textile industry in West Africa, given the existence of economies of scale of other powerful players in the international economy?

viii) How will West African producers be able to compete in the international textile market with low cost textile producers in other regions with the end of textile quotas with the Multi Fibre Agreement (MFA) in early 2005 or the new ACP/EU Economic Partnership Agreements in 2008? How can the relatively successful existing regional traditional textile manufacturing industry be improved? (*e.g.* Kente and Faso Fani cloth)? Who will invest in processing?

6. Roles of regional organisations

ix) What other strategic roles could the regional organisations such as the WAEMU and ECOWAS play, for example in the areas of: including cotton in the regional agricultural policy; addressing cotton in the Economic Partnership Agreements being negotiated with the EU and in establishing monitoring and regulatory activities on biotechnology? Furthermore, how can the challenges related to cotton be addressed in the regional agricultural policy being developed by ECOWAS (ECOWAP)?

7. Deepening the understanding of the impacts of international and domestic trade and agriculture policies

x) What are the impacts of domestic and international trade and agriculture policies on African agriculture? What type of adjustments of these policies will generate real gains for West African farmers? Will removal of subsidies really produce expected gains? More detailed evidence would be useful on which policies cause harm and to whom. Can we model the impacts of policy change on African farmers or other regions? Proposals to develop a policy impact monitoring mechanism are important in this context, as will be continued work on impact measurement by a range of international institutions.

8. Building a transparent mutually beneficial international trade system that addresses the needs of vulnerable West African farmers

xi) In principle, both powerful and more vulnerable players in the international economy could benefit from a functioning, transparent, rules-based trade system. How can options be developed where positive sum games can emerge? How can institutional aspects of negotiation processes be adapted to take account of constraints felt by poorer nations? (*e.g.*; continued trade capacity building, transparency, etc.)?

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Chapter 6

Conclusions

This review shows that cotton continues to have a critical role in producer livelihoods, agricultural development processes, national economic development, maintaining foreign exchange revenues for a large number of West African countries and in the contribution of access to services and poverty reduction. Further field level analysis would be useful to determine the evolving place of cotton in producer livelihood strategies and poverty reduction in the context of price pressures, volatile international markets and privatisation, and to identify the concrete diversification opportunities emerging.

Resolving the cotton crisis that emerged on the international scene with the collapse of the Cancún trade negotiations in 2003 was recognised by all players in the international community as critical. A number of international initiatives have been developed to address both the trade and development dimensions of African cotton since 2004 (*e.g.* the EC-Africa cotton partnership, the WTO and DAC cotton events in Africa and Paris). Bilateral initiatives and fact-finding missions have also been undertaken by high level policy makers (*e.g.* West African officials visited the US in mid-2004 and a US mission toured West Africa in early 2005 (see Hussein and Hitimana 2005). In July 2006, multilateral trade negotiations of the Doha "Development Board" were suspended. We hope these negotiations will resume and conclude soon.

In this context, this paper aims to contribute to mutual understanding of the key stakes, strategic questions and options for appropriate action. It provides impartial data and analysis on the importance of cotton in West Africa, its evolving place in the economy and livelihoods, the challenges facing the sub-sector and action that needs to be taken over the medium- and long-term to avoid the sub-sector's collapse and related impacts. In order to find a lasting solution to the difficulties faced by the cotton sub-sector and resolve the competing interests of Northern and Southern producers, it is essential to continue to create opportunities for dialogue between different categories of actors in order to identify the most appropriate trade and development-related interventions. This dialogue needs to be deepened with information on the key trends and challenges in West African agriculture and cotton production. We hope that this paper will contribute to this process.

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ANNEX

Chronology of Key Events on Cotton in West and Central Africa from 2001 to 2005

Date	Event	Objective and action
21 November 2001	First call launched by the producer organisations (POs) from Burkina Faso, Benin, Mali and Madagascar.	The Bobo Dioulasso (Burkina Faso) declaration by four cotton POs from Burkina Faso (UNPCB), Benin (FUPRO), Mali (SYCOV) and Madagascar (*la Maison des Paysans de la région du Sud-Ouest de Madagascar*) solemnly ask the United States and the European Union to discontinue the subsidies granted to cotton producers which are, in their view, the reason for the fall of cotton prices on the international market.
Source: www.abcburkina.net/coton3.htm.		
1st March 2002	Consultation meeting on the cotton sub-sector, organised in Lomé by the WAEMU, the BOAD and the BCEAO.	It is stated in the final declaration that the participants "invite the committee, with the support of the governments of the member states, to ask certain countries (United States, EU, China and India) to discontinue the subsidies granted to their cotton sector or for the implementation of compensatory mechanisms for cotton producers from the WAEMU". Also recommended is a study to identify and promote regional industrial units in the WAEMU cotton sub-sector.
2 April 2002	Cotton POs from West Africa send a letter to the WTO.	Cotton POs of Benin, Mali, Burkina Faso, and Madagascar send a letter to the WTO requesting the discontinuation of subsidies for cotton producers in the United States and the EU.
Source: www.abcburkina.net/coton_act/coton_act_2a.htm.		
8 May 2002	Second appeal by POs from West and Central Africa, requesting the discontinuation of subsidies for US and European cotton producers.	This second appeal by POs from Burkina Faso, Benin, Mali, Madagascar and Cameroon asks the other cotton-producing countries to join them in their demand to eliminate cotton subsidies in Northern countries.
Source: www.abcburkina.net/coton_act/coton_act_4a.htm.		

Date	Event	Objective and action
27 June 2002	Creation of the African Cotton Association (ACA) in Abidjan during a meeting of cotton professionals from West and Central Africa.	The ACA is an association created by professionals from the cotton private sector in order to facilitate the improvement of the quality of African cotton, to defend their interests and to exchange with regard to their respective experiences (headquarters: Cotonou).
8-9 July 2002	Conference in Washington on "cotton and global trade negotiations" organised by the ICAC and the World Bank.	This conference brought together various actors such as African ambassadors based in Washington, international organisations, and representatives from cotton-producing countries. The document prepared by Cliff Samson (Australia Department Of Agriculture) stipulates that "the world should not tolerate a situation in which the sum total of the subsidies paid to producers in the European Union and the United States is close to the GDP of all of Africa".
Source: www.icac.org/icac/meetings/cgtn_conf/documents/18_samson.pdf.		
7 August 2002	The Burkina Faso Minister of Agriculture proposes three options for the cotton crisis, in the *Observateur Paalga*:	1. Negotiations for the payment of financial compensation to developing countries that are the victims of subsidies; 2. Multilateral trade negotiations on agriculture within the framework of the WTO; 3. The filing of a complaint to the WTO Dispute settlement body.
27 September 2002	Brazil files a complaint to the WTO "US – Subsidies on Upland Cotton" [Dispute Settlement DS267].	Brazil files a complaint to the Dispute settlement body of the World Trade Organisation (WTO) in Geneva, regarding US cotton subsidies because of their alleged effects on international prices and potential prejudice to Brazilian cotton producers.
Source: www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm.		
27 September 2002	OXFAM publishes the report *Cultivating poverty: the impact of US cotton subsidies on Africa.*	This report argues that US subsidies are undermining the livelihoods of producers in Africa and other developing countries. The losses related to subsidies are estimated at more than USD 300 million (OXFAM report).
Source: www.wto.oxfam.org.uk/whatwedo/issues/trade/dowload/bp30cotton.pdf.		
September 2002	Cotton growers from West and Central Africa support the Brazilian complaint to the WTO against "American dumping".	If the subsidies are not eliminated, cotton growers are asking for compensation in the amount of $334 million for lost revenues for the period 1998-2001.
Source: www.enda.sn/abel1.htm.		
3 October 2002	The Brazilian Ambassador to Senegal invites the Africans to submit the cotton issue to the WTO.	During a press conference, the Brazilian Ambassador to Senegal encourages African cotton-producing countries to apply to the WTO Dispute settlement body with regard to the subsidies paid by industrialised countries to their cotton producers.

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Date	Event	Objective and action
3 October 2002	The POs, ENDA-Tiers Monde and OXFAM support the Brazilian complaint to WTO.	In a press release published in Senegal, Mali, Burkina Faso and Benin, the producer organisations of these countries (ROPPA and the *Association des Cotonniers Africains)* in partnership with OXFAM International and ENDA-Tiers Monde support Brazil in its dispute at the WTO on the issue of US upland cotton subsidies. They ask African cotton-producing countries and WAEMU to support this request for dispute settlement.
25-26 November 2002	Regional workshop on the processing of cotton fibre in WAEMU countries, organised in Lomé by the BOAD, the WAEMU, the BCEAO, CDE and the *Agence intergouvernementale de la Francophonie.*	The workshop brought together regional and international investors (Switzerland, France, India, Mauritius, Malaysia, United States, Germany) and the development partners. An analysis of the value chain shows a progressive disintegration of the textile industry and the need to integrate processing in order to create added value. The BOAD and the Centre for the Development of Enterprise (CDE) order a "Study on the identification and promotion of Regional industrial units in the cotton sector of the WAEMU".
3 March 2003	Establishment of a Working group on cotton in Geneva, facilitated by IDEAS Centre.	The major objectives of this working group, which meets approximately 2 or 3 times each month, are: reach a common understanding of the problem regard West African cotton and possible solutions; define a strategy for the negotiations with regard to the WTO dispute settlement; define a concrete and concerted action plan.
18 March 2003	Establishment of a WTO Panel to settle the dispute between Brazil and the United States.	The Third parties participating in the Panel, comprised on 19 May, are: Argentina; Australia; Benin; Canada; Chad; China; Chinese Taipei; European Communities; India; New Zealand; Pakistan; Paraguay; Venezuela

Source: www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm.

25 March 2003	Publication of the studies by Louis Goreux and Saliou Diouf on the subsidy-related impacts on the cotton sectors in WCA.	These reports propose an assessment of the losses suffered by cotton-producing countries in West and Central Africa as a result of subsidies in industrialised countries. The results of the works by L. Goreux and S. Diouf have been discussed by the regional actors and in some OECD member countries, particularly during a meeting organised at the Ministry of Foreign Affairs in Paris.
27 March 2003	Chad and Benin join in as third parties in Brazil's complaint against the United States.	This status allows these countries to make submissions during the proceedings in support of Brazil's demands although solutions to the dispute will only relate to Brazil.

Date	Event	Objective and action
24 April 2003	ECOWAS ministerial meeting in Accra (Ghana).	At the end of this meeting, all ECOWAS members give their common support to the Cotton initiative. ECOWAS obtains a clear mandate to have the WAEMU, the CEMAC and the CMA-WCA join in its efforts in order to disseminate and defend the proposal for negotiation on cotton of the four countries.
Source: www.ictsd.org/africodev/analyse/coton/passerelles4-2traore.pdf.		
30 April 2003	Delivery of the submission: "Poverty reduction: Sectoral Initiative in favour of cotton" to the WTO, during an extraordinary session of the WTO Agriculture Committee.	Benin, in the name of Benin, Burkina Faso, Mali and Chad, as well as of all countries in West and Central Africa, submit the Cotton initiative to the chairman of the trade negotiations committee, Mr. Supachai Panitchpakdi and to the chairman of the Agriculture Committee, Mr. Stuart Harbinson. Two solutions are proposed: *i)* The set-up, in Cancún, of a production subsidy reduction plan leading to their total elimination in three years (2004-2006); *ii)* Temporary financial indemnities in order to compensate for the losses suffered until such time as the subsidies are eliminated.
1-3 June 2003	President Abdoulaye Wade of Senegal supports the Cotton initiative during the G8 Summit held in Evian from 1 to 3 June.	During the G8 Summit in Evian, President WADE states that the Africans can produce quality but that free trade is only acceptable if it is carried out honestly which is not the case. He adds that African cotton is amongst the world's best but that survival is difficult when faced with highly subsidised cotton.
1-2 June 2003	Ministerial meeting of the Least Developed Countries (LDC) in Dhaka, Bangladesh.	At the end of this meeting, all Least Developed Countries support the Cotton Initiative.
10 June 2003	Presentation in support of the Sectoral Initiative in Favour of Cotton [TN/AG/GEN/4 of 16 May by Benin, Burkina Faso, Chad and Mali] by President Blaise Compaoré of Burkina Faso made to the WTO Trade Negotiations Committee (TNC).	President Compaoré underlines the economic and social crises in African cotton producing nations due to cotton subsidies in industrialized countries.
Source: www.wto.org/englicsh/news_e/new03_e/tnc_10june03_e.htm. *http:/docsonline.wto.org/DDFDocuments/t/tn/ag/gen4.doc.*		
16-18 June 2003	Symposium at the WTO on the challenges before Cancún.	Debate on West African cotton (facilitated by IDEAS Centre, ICTSD and OXFAM)
16-18 June 2003	Joint WAEMU/BOAD meeting on the cotton issue.	During this meeting the implementation of a strategy for Cancún is proposed.
19-20 June 2003	Meeting of the African Union Trade ministers on the island of Mauritius.	Declaration of support for the Sectoral Initiative in favour of cotton.
24 June 2003	The President of Mali, Amadou Toumani Touré, presents the submission to the agriculture sub-committee of the American Congress.	

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Date	Event	Objective and action
8 July 2003	The President of Benin, Mathieu Kérékou, delivers a memorandum on cotton to President George W. Bush, during his visit to Dakar (Senegal).	The President of Benin, Mathieu Kérékou, delivers a memorandum on cotton to President George W. Bush, during his visit to Dakar (Senegal), for a mini-summit between the US President and the Presidents of Mali, Senegal, Niger, Ghana, Benin, Gambia and Sierra Leone.
17-18 July 2003	The WTO Director General receives the Ambassadors of Benin, Burkina Faso, Mali and Chad.	The Ambassadors of Benin, Burkina Faso, Mali and Chad propose compensatory measures during the meeting of the WTO Agriculture Committee.
20-21 July 2003	Workshop in Saly (Senegal) for the preparation of a consistent and convergent strategy for the WCA countries in Cancún.	"The Saly Dialogue" organised by the International Centre for Trade and Sustainable Development (ICTSD), ENDA-Tiers Monde, OXFAM, ROPPA and UNPCB included cotton experts, certain representatives of international organisations such as the SWAC, and the ambassadors to the WTO of the four countries that will go to Cancún, to discuss the stakes and coordinate the positions and strategies.
August 2003	Four African countries' proposed decision for the Cancún Ministerial Conference	Four African countries' proposed decision for the Cancún Ministerial Conference: "Sectoral Initiative in Favour of Cotton" – originally *TN/AG/GEN/6*, 4 August 2003, resubmitted as Cancún Ministerial Conference document WT/MIN(03)/W/2, 15 August 2003 – proposed in the agriculture negotiations by Benin, Burkina Faso, Chad and Mali.
2 September 2003	Special Event on cotton in West and Central Africa (WCA) and Cancún. The meeting, hosted by the SWAC, was organised by ICTSD, ENDA Third World and OXFAM International.	The Paris event was organised in order to promote an open exchange between a Panel of prominent figures from West and Central Africa, the relevant OECD Departments (Agriculture, Trade, Development Assistance Committee, etc.), the OECD Delegations of SWAC member countries, Ambassadors, cotton producers and companies from West and Central Africa, international NGOs, West African experts and the media. It is part of the "Cotton Tour" of Europe and the United States by these organisations in an effort to sensitize various actors (politicians/institutional figures, etc.) to the stakes of cotton. The meeting was held a few days before Cancún.

Date	Event	Objective and action
10-14 September 2003	Ministerial conference in Cancún (Mexico).	The WTO Director General asks the ministers in attendance to give serious attention to the Cotton initiative. The difficulty finding an adequate response is one of the factors that led to the conference's failure. The Draft Ministerial text, subsequently undergoing two revisions, "recognise[s] the importance of cotton for the development of a number of developing countries and understand the need for urgent action to address trade distortions in these markets".
Source: www.wto.org/english/thewto_e/minist_e/min03_e/draft_decl_rev2_e.htm//cotton_initiative.		
26 September 2003	Benin submits a communication to WTO DG on the Sectoral Initiative on Cotton.	Benin indicates that the Draft Ministerial Text "does not offer any basis for finding appropriate solutions to the problems facing the West and Central African least-developed countries (LDCs) affected by the subsidies granted to the production and export of cotton".
Source: http://docsonline.wto.org/DDFDocuments/t/wt/gc/w516.doc.		
7 October 2003	Modification of paragraph 27 of the Cotton initiative by the 4 countries promoting the Initiative.	A few weeks after Cancún, the 4 countries propose the total elimination of export subsidies over three years and of internal supports for production over four years with both measures to take effect as of 1 January 2005. Also proposed is the creation of a Temporary Support Fund for the cotton sector in the LDC that are net cotton exporters. This Fund would remain in place until the complete elimination of cotton subsidies.
4 November 2003	Launch of the "Intra-regional markets, MIR" project, the result of WAEMU-IFDC-ECOWAS co-operation.	A project of 4.5 billion CFA francs over 5 years, carried out by the IFDC in collaboration with the WAEMU and ECOWAS. The aim is to promote access to agro-inputs at the regional level and to reduce their cost for the beneficiaries. Cotton is one of the crops that require considerable agro-inputs in West and Central Africa.
21 November 2003	Meeting of the Trade and Agriculture ministers from WAEMU countries, on the post-Cancún negotiations.	Regional dialogue meeting on the post-Cancún negotiations in order to define a regional defensive strategy for the common positions.

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Date	Event	Objective and action
15 December 2003	The Chairman of the WTO General Council notes the deadlock regarding how the issue should be handled.	The Chairman of the WTO General Council, Carlos Perez del Castillo, notes the deadlock regarding how the cotton issue should be handled (separately or as part of the agricultural trade negotiations?). The distinction between trade (including subsidies) and development aspects (interventions to support and invest in the sub-sector) regarding cotton are decided upon during this meeting for methodological purposes.
12 February 2004	The European Commission announces a support strategy for the African cotton sub-sector.	The communication from the Commission to the Council and the European Parliament entitled "*Proposal for an EU–Africa partnership in support of cotton sector development*" refuses to address the matter outside of agricultural negotiations, it refuses the principle of compensation but confirms the need to provide the sector with assistance, and it insists on the importance of promoting diversification so as to reduce the dependency of African countries on cotton.
4-5 March 2004	ACA's Second annual seminar organised in Dakar.	The meeting brought together more than 200 participants and 4 topics were debated: prices, quality, GMOs, the consequences of subsidies.
21-22 March 2004	First meeting of the ACP actors in the cotton sector, organised by the Working group on cotton.	This meeting was organised within the framework of the implementation of the decision of the ACP Council of Ministers on "Strengthening the cotton sector in the ACP countries". It brought together ACP representatives based in Brussels and Geneva, central governments, representatives of producers, regional development banks, the CTA and representatives of international organisations. At the end of this meeting, it was also recommended to defend the Sectoral Initiative in favour of cotton during the WTO meeting scheduled for 23 and 24 March 2004.
23-24 March 2004	The WTO organises a regional workshop on cotton in Cotonou, Benin.	The principal focus of the Workshop was on the Development Assistance Aspects (comprising of financial and technical assistance) of the Cotton Initiative. Participants at the Workshop were the 30 African countries involved in cotton production and trade; 18 intergovernmental multilateral institutions; Canada, the European Commission, Japan, the United States and China.

Source: http://docsonline.wto.org/DDFDocuments/t/wt/1/564.doc.

Date	Event	Objective and action
26 April 2004	The interim ruling of the WTO Dispute Settlement Panel convened to settle the dispute on US subsidies to upland cotton producers is in favour of Brazil.	The WTO concludes that the US subsidies are inconsistent with the various provisions of the Agreement on Subsidies and countervailing Measures, the Agreement on Agriculture and GATT 1994 and that the subsidies caused serious prejudice to Brazilian cotton producers by depressing the world price of cotton. The estimated injury suffered by Brazil was estimated at about $600 million for the marketing year 2001. The interim decision is confirmed in the final report dated 24 September 2004.
Source: *http://sitesources.worldbank.org/INTRANETTRADE/Resources/Pubs/TradeNote16.pdf.*		
4 May 2004	Declaration of the ACP Group on cotton in Gaborone, Botswana.	In this declaration, the ACP reasserts its support for the EU-Africa partnership in support of the development of the cotton sub-sector as proposed by the European Commission on 12 February 2004. It also calls on the EU to take necessary measures to guarantee the financing for the losses linked to fluctuations of cotton prices due to the support given to European cotton producers.
10 May 2004	The EU undertakes to eliminate export subsidies in the long term.	The EU declares that it is willing to eliminate export subsidies on agricultural products – including cotton – in the long term, if other industrialised countries do the same.
Source: www.intracen.org/worldtradenet/welcome.htm?&&&www.intracen.org/worldtradenet/docs/whatsnew/newsletters_2004/newslettersvol5no2.htm.		
11-14 May 2004	Producers dialogue meeting on the cotton sector in West and Central Africa, organised by ROPPA in Cotonou (Benin).	Participants at this meeting included producers from 12 countries of West and Central Africa, representatives of European producers organisations, the French Minister of foreign affairs, the Agriculture ministers from countries in West and Central Africa, the Embassy of the Netherlands in Benin, the FAO, the WAEMU, USAID, research institutions and NGOs from the North and South. The final declaration, known as the "Cotonou Declaration on the development of the cotton sector in Africa" stipulates that the POs "invite the States and their regional economic organisations to continue and intensify their plea in their defence and to negotiate the reforms of the WTO rules".
9 June 2004	Japan grants financial support of almost $7 million to Benin as a specific contribution linked to the cotton sub-sector.	This amount of almost USD 7 million is granted as support for irrigation infrastructure in cotton-growing areas. It is granted within the framework of the Tokyo International Conference on African Development (TICAD).

Date	Event	Objective and action
5-6 July 2004	The European Union (EU) organises an EU-Africa forum on cotton.	The forum targets the implementation of an EU-Africa partnership within the framework of cotton trade and development. The EU-Africa action plan consists of 7 domains: *i)* international trade, *ii)* national and international strategies related to cotton, *iii)* policies and institutions, *iv)* technological innovation, *v)* risk management and finances, *vi)* integration chain and *vii)* coordination.
Source: www.wto.cotton-forum.org/indexflash.html.		
End July 2004	The Agriculture and Trade Ministers of Burkina Faso, Mali, Benin and Chad are invited by the US government to visit the United States.	The West African ministers visit some of the Southern, cotton-producing states of the United States (North Carolina, Tennessee and Texas) in order to explore the possibilities for improving and modernising the West African cotton industry.
1st August 2004	The WTO General Council decides on the framework for the continuation of the trade negotiations as part of the "Doha Round".	In the evening from 31 July to 1 August, after 30 hours of intense negotiations, representatives of the 147 WTO members signed an agreement-framework to re-launch the trade negotiations, agriculture being at the centre. According to this decision, commonly called the "July package", all aspects related to trade negotiations in cotton will be handled within the context of the negotiations on agriculture, with a priority on finding a solution to the problems identified in the Sectoral Initiative in favour of cotton.
8 September 2004	The WTO Dispute Settlement Panel rules on "United States – Subsidies on Upland Cotton", dispute filed by Brazil.	The Panel found that some export and other subsidies granted by the US in respect of cotton are prohibited under WTO agreements. The Report further stated that certain domestic support programs result in serious prejudice to Brazil's interests in the form of price suppression in the world market.
Source: www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm.		
18 October 2004	The United States notified its intention to appeal the decision of the WTO Dispute settlement Panel.	
Source: www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm.		
19 November 2004	The WTO creates the Cotton Sub-committee.	The WTO members establishes the Cotton Sub-committee that will specifically focus on cotton. This Sub-committee intends to facilitate information exchanges between donor agencies and other development agencies in an effort to respond to the objectives of the "July Framework Decision" and to concretely and visibly advance the cotton issue in order to facilitate the conclusion of the trade negotiations as part of the "Doha Round".

Date	Event	Objective and action
29 November-3 December 2004	63rd Plenary Meeting of ICAC at Mumbai, India and Final Declaration on Improving cotton competitiveness.	
Source: www.icac.org/meetings/plenary/63_membai/french.html..		
21-22 December 2004	Creation of the *Association des Producteurs de Coton Africain* (AProCA).	The association's objective is to gather all of the continent's producers in order to better defend their interests, notably during the negotiations at the World Trade Organisation (WTO) that will take place in Hong Kong in December 2005. For now, the association consists of cotton producers from Burkina Faso, Togo, Benin, Cameroon and Senegal.
1st January 2005	End of the WTO Agreement on textiles and clothing (ATC) which integrated trade in this sector back to GATT rules.	Before the Agreement took effect, a large portion of textiles and clothing exports from developing countries to the industrial countries was subject to quotas under a special regime outside normal GATT rules. Some of these countries (*e.g.* Bangladesh and Pakistan) have benefited from these quotas. Since the abolition of the quotas, China has experienced a dramatic increase in its exports of textiles and clothing. Preferential agreements remain (*e.g.*: AGOA, Cotonou Accords EU-ACP, etc.) some of which give preferential access in the textile and clothing industries. For more information see OECD Working Paper *Structural Adjustment in Textiles and Clothing in the Post-ATC Trading Environment.*
Source: *http://lysander.sourceoecd.org/vl=2944587/cl=19/nw=1/rpsv/workingpapers/18166873/wp_51gp1917mk9q.htm. www.ilo.org/public/english/dialogue/sector/techmeet/tmte-pmfa05/tmtc-pmfa-r.pdf.*		

Date	Event	Objective and action
11-12 January 2005	Meeting in Bamako on the development of the cotton sector in West and Central Africa, following the USAID missions in the four West African countries.	The meeting included, on the one hand, the Trade and Agriculture Ministers and Ambassadors to Washington of 5 West and Central African countries (Benin, Burkina Faso, Mali, Senegal and Chad) and, on the other hand, a US delegation led by Dr. James G. Butler, deputy under-secretary for Agriculture and foreign Agricultural services. A report prepared by USAID on cotton in Africa recognises that African cotton is competitive in terms of production cost and quality, although improvements are still possible. In the Final Declaration ("Bamako Declaration"), the African Ministers welcomed the consultation approach, but regretted that the report's proposals only related to the sector's competitiveness improvement strategies in the medium and long term, while not addressing the impact of subsidies on the fall of cotton prices in the international market. The insistence of USAID on the importance of reducing, or even abandoning, the use of pesticides and in support of the introduction of biotechnologies into cotton cultivation in West Africa cannot, in the views of the African Ministers, serve as a panacea.
28 January 2005	Information meeting of the OECD's Development Assistance Committee on the "development" dimensions of cotton in Africa, organised by the Development Co-operation Directorate in collaboration with the SWAC, OECD.	The meeting included the main development partners, African cotton producer organisations, African regional institutions and international development institutions. The African countries request the creation of an emergency fund to compensate for losses linked to the subsidies granted to producers in OECD countries. The meeting's main results include: a better understanding of the stakes for the African countries with regard to the cotton prices and the need to act; recognition of the connection between the development and trade aspects of the cotton issue; the need to find short and long term responses to both aspects within the most appropriate bodies; and the commitment of development partners to coordinate their interventions in order to support the cotton sub-sectors in Africa.
January 2005	Demonstration by cotton producers from Benin, demanding State support.	During the DAC/OECD meeting on 28 January 2005, the Benin Minister of Agriculture indicated that, at the end of January 2005, his country's cotton producers had organised a demonstration to demand State support in order to confront the drop of cotton prices on international market. He stresses that the States must respond to the demands of their citizens.

Date	Event	Objective and action
28 February- 1st March 2005	Exchange meeting on the sustainability of cotton in Africa, organised by the UNCTAD in Bamako.	The aim of the meeting is to analyse the environmental, economic and social sustainability of West African cotton, and to propose possible actions to improve its sustainability.
3 March 2005	WTO Appellate Dispute settlement body rules in favour of Brazil in its complaint against US subsidies.	According to the decision, the "export guarantee credit programmes in the United States are prohibited export subsidies" and the payments to US cotton producers result in a "serious prejudice" to other producers since, in fact, they "prevent price increases to a notable degree". The decision gives Washington six months to conform to the WTO rules.
Source: *www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm.*		
9-10 March 2005	Workshop in Ouagadougou on "West African agriculture faced with trade liberalisation: situation, challenges and opportunities" organised by ICTSD with ROPPA, UNPCB and the Swiss Development Cooperation agency.	This meeting aimed to provide an opportunity for dialogue between African trade negotiators in Geneva, decision-makers in capitals and producer organisations. Conclusions include: the need for these three groups of actors to strengthen collaboration as regards products strategic for West Africa. Further information available at:
Source: *www.ictsd.org/africodev/dialogue/2005-03-09-10/presentation.htm.*		
10-13 March 2005	Annual ACA seminar in Ouagadougou.	The purpose of the meeting is to discuss the survival strategy for the cotton sector in West Africa. The ACA President stipulated that: – if cotton prices and the cost of the dollar drop or remain at their current levels, there is reason to fear an implosion of all of the sectors; – estimates of more than 200 billion FCFA are expected for the deficits of cotton companies in West and Central Africa, only for the 2004-2005 harvest, which threatens the sub-sector's financial sustainability. At the end of his presentation, the ACA Chairman called on the various States to organise a meeting at the highest level, in order to reach an agreement and to take urgent measures in order to save African cotton from catastrophe.
22 March 2005	2nd meeting of WTO's cotton sub-committee.	This meeting addressed the issue of coherent trade and "development" aspects concerning cotton in Africa.

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Date	Event	Objective and action
25 March 2005	Validation workshop relative to the conclusions of an FAO mission to identify activities to be financed within the framework of the "Multi-national programme to improve competitiveness in the cotton sub-sector in West and Central Africa", set up by the ADB.	The FAO identification mission carried out at the start of March 2005 included the following countries: Benin, Burkina Faso, Mali and Côte d'Ivoire. The aim of this mission was to identify activities to be carried out within the framework of the "multinational programme to improve the competitiveness of the cotton sub-sector in West and Central Africa". The United States finances a feasibility study for a projected regional integration railway within the WAEMU implemented by the ADB.

Source: WTO Secretariat report, March 2005, Second meeting of the Sub-Committee on cotton, coherence between trade and development aspects: update on the development aspects of cotton..

18-22 April 2005	The Forum for international civil society, organised by the WTO in Geneva.	The objective was to consult civil society on the stakes of international negotiations on trade within the "Doha Round" framework.
19-20 April 2005	2nd Commodities Conference, organised by the IFAP.	International meeting of producer organisations in Bruges on the agricultural sectors and commodities: presentations by various actors in order to stimulate producers' strategic thinking on the stakes of the sectors and basic tropical commodities (including the Sahel and West Africa Club Secretariat/OECD (SWAC)) on the process of the Cotton initiative.
21 April 2005	In Geneva, FIPA Seminar at the WTO's Forum for Civil Society on the stakes for producers in trade negotiations.	
25 April 2005	In Geneva, 3rd meeting of the WTO cotton sub-committee	A submission by the Africa Group is discussed in which the African Group encourages the Sub-committee to "speed up the negotiating process", and proposes modalities in the areas of market access, domestic support and export subsidies as well as implementation measures.

Source: http://docsonline.wto.org/DDFDocuments/t/tn/ag/secgen2.doc.

Date	Event	Objective and action
6-7 May 2005	Meeting organised by the African Cotton Association (ACA), the *Association des Producteurs de Coton Africains* (AProCA) and *Enda Prospectives Dialogues Politiques* (Diapol), with support of OXFAM and DFID in Saly (Senegal) on the "Proposed strategies for exit from crisis, faced with the fall of international prices, for the African cotton sectors".	This meeting brought together 35 to 40 key actors from the cotton sectors in Africa, representing various interests and perspectives (producer organisations, industrial representatives, African negotiators based in Geneva and Brussels, representatives of trade and agriculture ministries, NGOs, etc.). It aimed to prepare West African actors for the WTO ministerial meeting in Hong Kong in December 2005. It aimed to facilitate the definition of a clear strategy among the diverse actors involved to defend the cotton sub-sector in Africa. The meeting was successful in facilitating agreement around shared objectives in support of the cotton sub-sector between state, producer, NGO and private sector players. See documents and political Declarations resulting from the meeting at the following website:
Source: www.enda.sn/diapol/.		
7 July 2005	4th WTO cotton sub-committee meeting on the setting up of cotton development assistance aspects, in Geneva.	
13-18 December 2005	WTO ministerial meeting in Hong Kong.	This biannual WTO meeting is supposed to advance the conclusion of the "Doha Round" trade negotiations. Tim Groser (Chairperson for the WTO Committee for Agriculture) clarified during the January meeting of the DAC-SWAC/OECD, that significant progress on the resolution of the cotton issue is essential to the success of this meeting and to the entire Doha Round.

Date	Event	Objective and action
13-18 December 2005	The Sixth WTO Ministerial Conference, Hong Kong	Ministerial Declaration Adopted on 18 December 2005 WTO members reaffirm their commitment to ensure having an explicit decision on cotton within the agriculture negotiations and through the Sub-Committee on Cotton ambitiously, expeditiously and specifically as follows: *All forms of export subsidies for cotton will be eliminated by developed countries in 2006.* *On market access, developed countries will give duty and quota free access for cotton exports from least-developed countries (LDCs) from the commencement of the implementation period.* *members agree that the objective is that, as an outcome for the negotiations, trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable. We commit ourselves to give priority in the negotiations to reach such an outcome.*
Source: WTO.		
2 March 2006	Submission by the Cotton-Four (Benin, Burkina Faso, Mali and Chad)	The Cotton-Four have clarified their proposal for cutting and eventually eliminating trade-distorting domestic support. With this submission the C4 have now provided the substantive input for the implementation of the engagements taken by the members in July 2004 and in December 2005 to address cotton "ambitiously, expeditiously and specifically". For more details, see: *http://docsonline.wto.org/DDFDocuments/t/tn/ag/SCCGEN4.doc.*
Source: http://docsonline.wto.org/DDFDocuments/t/tn/ag/SCCGEN4.doc.		
27 March 2006	WTO Cotton sub-committee.	The sub-committee held its first in-depth discussion on the paper on 27 March 2006. The proposal deals with "modalities", in this case how domestic support would be cut. It features a *formula* that implies cuts in cotton subsidies that are larger than for agriculture as a whole – much larger if the agriculture cuts are modest, the difference narrowing if the agriculture cuts are more ambitious. The period for making the cuts would be one third the time for agriculture as a whole.
Source : www.wto.org/english/news_e/news06_e/cotton_28april06_e.htm.		

Date	Event	Objective and action
28 April 2006	WTO Cotton sub-committee Wide support for much of "Cotton Four" domestic support proposal.	More detailed reactions to the proposal from four African countries on domestic support for cotton showed broad support for at least some key points when the proposal was discussed in the Cotton Sub-Committee on 28 March 2006. The US, which has more reservations, said it is pushing for the strongest possible outcome on agriculture as a whole, which would include cotton.
Source: www.wto.org/english/news_e/news06_e/cotton_28april06_e.htm.		
28 May 2006	Ministerial Committee Meeting on cotton follow-up in tandem with the 83rd session on the ACP Council of Ministers at Port Moresby (Papua New Guinea).	Two objectives : – Prepare a state of the cotton sector report for the ACP countries. – Begin deliberations in the three areas for action which concerned the Working Group since the beginning of the 82^{e} session of the Council to understand *i)* the implementation of recommendations from the 2nd Meeting of ACP actors in the cotton sub-sector *ii)* finalization of the preparatory phase of the European-Union – Africa Partnership Support Programme on cotton and, finally, *iii)* the evolution of the WTO cotton programme.
Source: www.acp.int/fr/com.		
19-20 June 2006	International Seminar on the development of African cotton, Ouagadougou.	This seminar which bought together cotton producers from West and Central Africa as well as European and American partners addressed as its common theme the crisis which has impacted the entire African cotton sub-sector. In addition to this seminar, the participants underlined the importance for Africans to reinforce the sector's competitiveness with the adoption of related internal reforms, such as the improvement of production mechanisms, taking into account biotechnology and, in particular, experiments with trans-genetic cotton.
Source: www.ictsd.org.		
24 July 2006	The Doha Development Agenda negotiations are to be suspended.	The Doha Development Agenda negotiations are to be suspended because gaps between key players remain too wide. Heads of delegations, speaking in an informal meeting of the Trade Negotiations Committee on 24 July 2006, agreed with WTO Director-General Pascal Lamy that this will be a setback for all members.
Source: www.wto.org/english/news_e/news06_e/mod06_summary_24july_e.htm.		

Additional resources are available on the following websites:

www.oecd.org/sah (click on the cotton icon).

www.oecd.org/cad/echanges/coton.

www.cotton-forum.org/indexflash.html.

http://r0.unctad.org/infocomm/anglais/cotton/sitemap.htm.

www.icac.org.

www.enda.sn/diapol/.

www.ictsd.org.

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The Development Dimension

Cotton in West Africa

THE ECONOMIC AND SOCIAL STAKES

In West Africa, approximately 16 million people depend directly or indirectly on cotton cultivation. Cotton plays a vital role in the economic and social development of many countries, and in improving the livelihoods of the inhabitants. It has also enabled West Africa to become a major player on the international market, since it is now the second largest fibre exporter behind the United States. This success is partly due to an integrated approach which is often called the "cotton system".

Since the World Trade Organisation's 2003 Ministerial Conference in Cancun, the actors in the international community have recognised the crucial need to address the cotton crisis in an "ambitious, rapid and specific" manner. At the end of the Hong Kong Ministerial Conference in December 2005, progress was made in the negotiations aiming to reduce subsidies, ensure market access and improve development policies. On 24 July 2006, multilateral trade negotiations of the Doha "Development Round" were suspended *sine die* because an agreement could not be reached which would satisfy both developing and developed countries.

This book contends that dialogue between developed and developing countries should continue in order to find a lasting solution to the difficulties facing the cotton sub-sector. It sets out the regional stakes linked to the economic and social importance of cotton in West Africa. It retraces the consultation process on the West African cotton crisis with the aim of finding a negotiated solution acceptable to all parties. Also discussed are the challenges and the measures that need to be taken over the medium and long term in order to prevent this sub-sector's sudden collapse.

Countries covered:
Benin, Burkina Faso, Cameroon, Cape Verde, Chad, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

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