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## Position paper on cotton, cotton textiles and the WTO

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Prepared for the 8<sup>th</sup> World Trade Organisation Ministerial Conference in Geneva, December 2011

Cotton is a global industry, subject to powerful political and economic interests. Cotton is grown in more than 90 countries and processed in more than 160<sup>i</sup>.

### Development

Cotton and cotton textiles are of great importance to developing countries. Cotton is the main agricultural export for some of the economically poorest countries in the world and many developing countries rely on textile processing. Cotton plays a critical role in supporting these countries' economies and livelihoods, and is a key element of poverty reduction programmes.

### Falling prices

Many different factors contribute to instability in cotton prices. Even with the current price spike, (according to ICAC) when adjusted for inflation cotton prices long term are at their lowest level for over sixty years.<sup>1</sup>

Cotton is being significantly overproduced because of a lack of supply management methods at national, regional, and global scales. Methods such as export quotas, or specifying land to be put to biodiversity or non-cotton use, can help adapt supply to demand.

Agricultural subsidies also distort the price of cotton by encouraging greater production and sales below the cost of production. In the last ten years just 265,000 US farmers have received over \$31 billion in subsidies with 30% of these payments going to just 10 individual farms<sup>ii</sup>. If these subsidies were eliminated, Oxfam estimate that the price African cotton producers would receive would rise by 12%<sup>iii</sup>. However, the elimination of subsidies alone will not ensure better and more stable prices on the world market without overproduction being addressed.

Despite the WTO Dispute Settlement Body ruling that some US cotton subsidies violate international trade rules, in a dispute put forward by Brazil, these subsidies remain in place. Brazil has temporarily waived the opportunity to retaliate against the US for losses caused to its farmers and instead the US is providing subsidies to Brazilian cotton too pending a solution which is promised through the forthcoming US Farm Bill process.

Another significant factor in the long term cotton price decline is the growth in competition from synthetic fibres.

Over 10 million households in West Africa depend on cotton for their survival. For many it is an essential 'cash crop' which they grow and sell to earn an income.

It is vital to the economies of many developing countries – in particular 'The Cotton-4' – Benin, Burkina Faso, Chad and Mali. They are among the poorest countries on earth. They

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<sup>1</sup> International Cotton Advisory Committee (ICAC), Trends in World Cotton Prices 2007

are also more efficient producers of cotton than the US: it costs a farmer in Benin \$0.35 to produce a pound of cotton; it costs a farmer in the US \$0.80. But they are unable to realize the benefits of this competitive advantage.

### **Health and the environment**

Cotton growing has a big environmental impact, both in the use of water, and in the use of chemicals.

Fair Trade business proves that long term investment in IPM, organic farming and drip irrigation, can reduce environmental impact and support farmers with a fair price.

### **World Trade Organisation talks**

With the Doha Round of trade negotiations stalled a proposed package of measures for the poorest countries, including progress on the cotton portfolio, hangs in the balance and is due to be discussed at the forthcoming Ministerial meeting in December. Ministers will try to salvage talks which started ten years ago with the aim of delivering a global trade deal that would help the world's poor.

Time and time again the WTO has passed declarations calling for issues of cotton injustice to be dealt with urgently, yet there has been no action, raising concerns about the effectiveness of the multilateral trading system for poorer countries.

It is now ten years since the launch of the Doha Round. Cotton farmers have been waiting long enough.

The World Fair Trade Organization (WFTO), the global network of Fair Trade Organizations, calls on WTO members to:

1. Agree a meaningful package of measures for Least Developed Countries (LDCs) including an urgent end to damaging cotton subsidies;
2. Ask the US to announce their intention to comply with the WTO's previous cotton ruling and use the Farm Bill to further cut subsidies in line with demands from developing and least developed countries
3. Recognise the right of LDCs to protect their domestic markets in cotton and therefore to protect the livelihoods of small scale cotton producers;
4. Establish a fund for LDCs to stabilise the price of cotton;
5. Expand the WTO rules requiring members to complete questionnaires about state trading companies, to include all large companies, public or private, in order to improve transparency and supply management;
6. Recognise the rights of governments to regulate in the national interest on GMOs and other issues of safety;
7. Provide cotton producing countries technical and financial assistance to reorganise the sector towards sustainable cotton production, maximising organic, Fair Trade and local value added production;
8. Encourage the development of legislation to ensure that public procurement policies (at national and local level) favour sustainable and Fair Trade cotton;
9. Promote a global multi-stakeholder initiative to monitor the impact of cotton growing and textiles on human rights and the environment.

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<sup>i</sup> PAN / International Textile, Garment and Leather Workers' Federation

<sup>ii</sup> Environmental Working Group [www.ewg.org](http://www.ewg.org)

<sup>iii</sup> Traidcraft cotton campaign question and answers see: [www.traidcraft.co.uk/cotton](http://www.traidcraft.co.uk/cotton)