



# مجلة كلية الدراسات الإسلامية والعربية

مجلة علمية محكمة

اقرأ في هذا العدد

كلية المشرف العام: البحث العلمي في خدمة المجتمع

منهج الإمام النووي في تفسير روح المعاني في توجيه الآيات المتشابهة

جهود الإمام الشافعي في جرح الزواة وتعديلمم

استثمار نتائج الامتحان في تنمية قدرات المتعلم وتوجيهها  
- تراكم نتائج امتحانات الجامعة أنموذجاً -

عموم المقتضى عند الأصوليين وأثره في اختلاف الفقهاء

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السياسة التجارية النهريكية بين النظري والتطبيقي الدعم الحكومي  
الأمريكي وأزمة القطن في دول غرب أفريقيا بين عام 2001-2004



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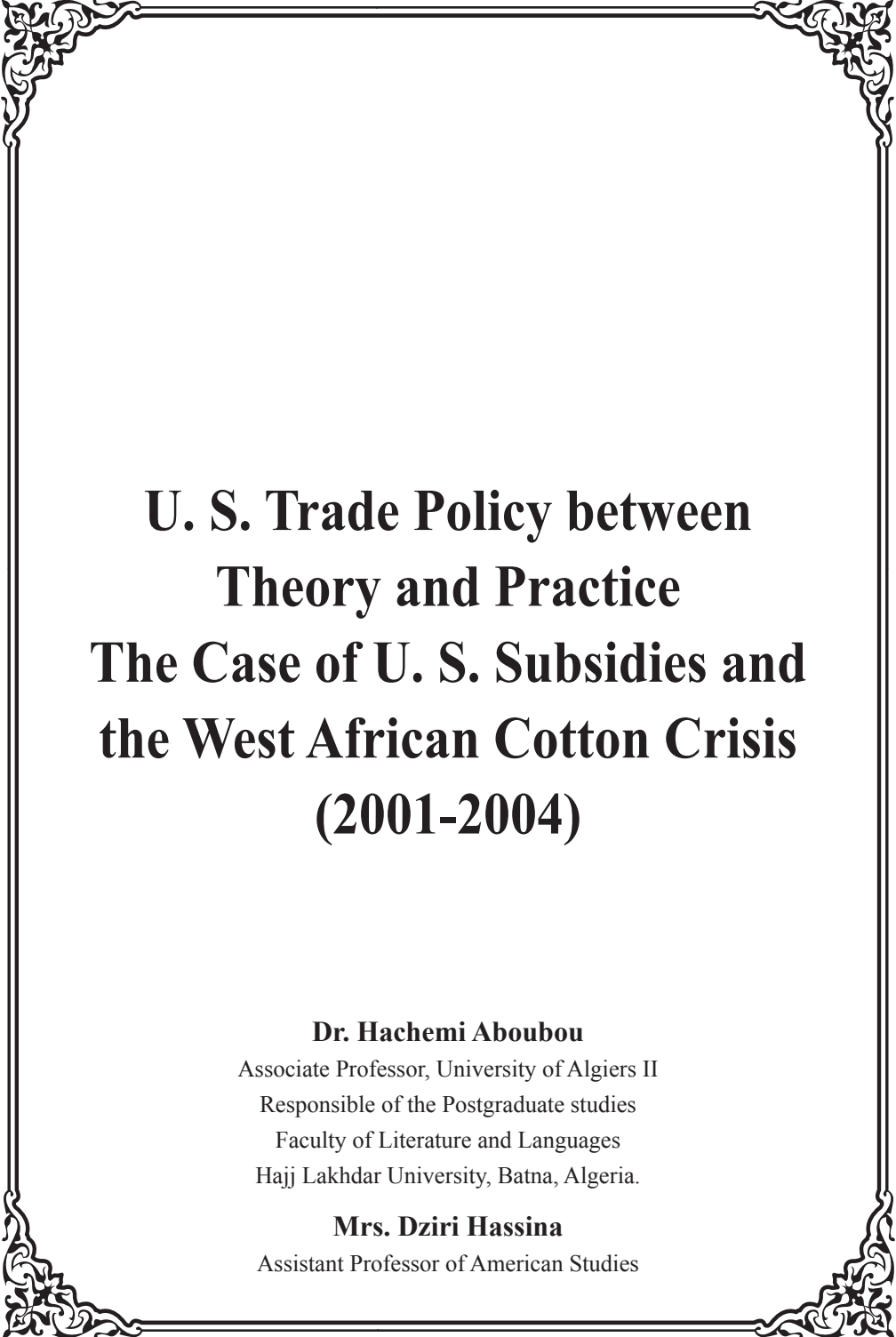
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**U. S. Trade Policy between  
Theory and Practice  
The Case of U. S. Subsidies and  
the West African Cotton Crisis  
(2001-2004)**

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**Abstract**

**The research paper entitled:  
“U. S. Trade Policy between Theory and Practice”**

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The Case of U. S. Subsidies and the West African Cotton Crisis (2001-2004)” studies how duplicity characterizes all aspects of American foreign policy, be it political or economic. The choice of an economic topic to feature the US duplicity stems mainly from the fact that figures can prove more eloquent to speak about US hypocrisy than words do.

The research paper is composed of two main parts, one theoretical and the second empirical.

Part one briefly reveals the theoretical foundations of the international trading system, acquainting the reader briefly to the historical background of the system and mainly to its underpinning principles. The study reveals also that the United States is a full member signatory of this system, WTO.

Part two enlightens the evaluation of US cotton subsidies and their nefarious impact on West African economies and populations, (especially those mostly relying on the crop for cash and survival) namely: Benin, Burkina Faso, Mali, and Chad.

The results of our research prove that the United States does not apply in reality what American official statements tend to pronounce. The West African cotton crisis is loaded with lessons about the workings of international affairs in general and multilateral trade in particular. It teaches that free trade rhetoric of economic powers, primarily the US, is mere cant. The United States, with its duplicitous discourse, is projected to be the paragon of free trade. Common practices, however, denounce it as the bastion of protectionism. The first half of the twentieth century was the arena for two major wars: WWI and WWII that brought the world economy to a shambles. The international community embarked afterward on a rethinking of a post-war world economy in which law and wisdom came to substitute protectionism

and blind interest. It took them almost the second half of the twentieth century to see an international trading system into shape. As the champion of liberalism and democracy, the United States played a leading role in forging the rules and principles of the system. This work will attempt to clearly underscore the gap between theory and practice in US trade policy— how well does US trade policy answer free trade principles?— illustrated in the West African cotton crisis.

First, a historical description that traced back the origins of the system to post WWII, when the necessity for international organizations to supplement the efforts of national governments was recognized as primordial to maintain a world of peace and stability. Out of the negotiations for an International Trade Organization (ITO) emerged the General Agreement on Tariff and Trade (GATT), which was provisional and lacked the organizational structure to monitor the growing complexities of international trade. By the 1980s the need for reform was apparent and negotiations were launched in Punta del Este, Uruguay to result in the creation of the World Trade Organization (WTO). The WTO remit was enlarged to cover all aspects of international trade even those that previously escaped GATT discipline, such as agriculture and textile.

Second, review the trading system at its current shape by highlighting its underpinning principle. Free trade rhetoric maintains that all nations would benefit from economic liberalization provided that they specialize in what they can produce most cheaply and efficiently. Therefore, they export their products of excellence to import what other trading partners excel in producing. Thus economic specialization would open full opportunities to all nations to benefit from free trade. Hitherto the equal sharing of profit cannot be attained without full respect to principles of free and fair trade by all trading partners. For instance, if a government grants subsidies to producers of a given commodity, they will gain competitive advantage over other producers of the commodity in international markets. In this case the principle of fairness will be impaired permitting the subsidized producers to expanded market shares and more benefits than others. The WTO aims thus at creating and preserving a level-playing field to all trading partners by providing a forum for negotiating trade rules and the means to see them applied and respected by all member countries.

Moreover, light will be shed on the correlation between trade and devel-

opment. In order for developing and least-developed countries to benefit from free trade, they were promised a special deal that exempted them temporarily from the full application of agreements, by giving them more flexible time-frames to come to terms with their liberalization commitments. Was it not for the differential and special treatment provisions enshrined in almost all trade agreements, developing countries would have never accepted to sign the final text of the Uruguay Round, establishing the WTO. It was these provisions that encouraged the massive developing-country accession to the organization. For the majority of developing countries agriculture stands for the vital sector in the economy. Thus, if truly granted, concessions should be in the shape of enhanced market access to developing-country agricultural products. And this is what the Doha Ministerial promised to fulfil; it was dubbed accordingly the “development round”<sup>(1)</sup>.

The practical part of work forms the backcloth against which US Cotton subsidies are seen. It is an attempt to wrap the international trading system into a comprehensible theoretical framework. It demonstrates that every smallest detail was given place in legal texts by the framers of the rules, yet it also makes clear the gap between theory and practice in international trade. Furthermore, a practical example from international markets was given to illustrate the gap. It describes the sufferings of people who are among the poorest in the world because of the trade-distorting subsidies of the United States, the founding father of the system and the staunch advocate of free trade in the world. The same illustration shows the importance of cotton to country and people in West Africa. Around two million households in the region depend directly on cotton revenues to provide for their life basics (food, education, and health). The cotton of the region is characterized by its low-cost production and high quality; two factors that entitles the crop to a remunerative competitiveness in international markets. Yet figures belie the efficiency of the West African cotton; starting from the mid-1990s the West African cotton kept losing in terms of export revenues because of dramatic drops in world prices.

From its side, the US government grants huge appropriations to its

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1- Oxfam. “From Development to Naked Self-Interest: The Doha Development Round Has Lost its Way.” 27 Jul. 2005. Oxfam. 22 Oct. 2005. <[http://www.oxfam.org/eng/pdfs/bn050727\\_wto\\_development.pdf](http://www.oxfam.org/eng/pdfs/bn050727_wto_development.pdf)>



25,000 cotton farmers in total defiance to the WTO principle of fairness, which denounces vehemently subsidies, and with indifference to the fallouts on poor West African economies, which depend mostly on cotton revenues. Knowing that American subsidization encouraged overproduction and that a high percentage of this production is intended for export (it means dumped on international markets) the notorious effect of US subsidies on international prices is unquestionable. Additionally, the impact US subsidies had in the West African cotton crisis. The export-earning losses incurred by the countries of the region and gives an estimation of revenues recovered in case US subsidies were removed. Yet there is much impediment to the elimination of US subsidies incarnated in the political stakes it holds. The US Administration and Congress abstain from upsetting a very influential cotton lobby to do justice to poor African farmers and populations.

The choice of West Africa stems mainly from the fact that the case is highly illustrative of the impact of trade-distorting domestic policies on poor populations. What is special about the region is the fact that most of its cotton-producing countries possess no other substitution to cotton as a cash crop; whence the focus on countries like Benin, Burkina Faso, Mali, and Chad, which fall in the category of the poorest and highly-indebted countries of the world and which cannot easily diversify their economies away from cotton—as recommended to do. An evaluation to the international trading system will also be of consideration. The West African cotton initiative was regarded by specialists as an acid test of the WTO legitimacy and the willingness of industrialized countries, namely the United States, to bring the needed reforms to their agricultural sectors and come to terms with their liberalization commitments to poor countries.

During the Cancun Ministerial (September 2003) four West African states— Benin, Burkina Faso, Mali, and Chad— submitted a Cotton Poverty Reduction Initiative to the WTO to convince developed countries of the expediency to phase out their cotton subsidies and to supply interim compensation for the losses endured by the economies of the region, but in vain.

This work ends with some suggestions for possible reforms. First, the onset of a new economic world order requires awareness from the rich that in a globalized world the lives of people are closely linked together; so that if globalization is featured by the free trans-border movement of capital, goods,

and services, it is also featured by the trans-border expression of popular anger, discontent, and even extremism. Second, Europe can play a leading role in creating an international economic balance of power and paving the way for a multi-polar world system through a moral engagement in favour of more development and less poverty. Third, an international economic reform is hard to achieve without an international social reform. Change necessitates the full commitment of an enlightened international civil society, which can successfully lead the campaign for equity and fairness. Besides, developing countries need to cooperate with each other, in economic matters and in others, to build a solid front against the hegemony of big powers.

Before tackling the West African cotton crisis, it is necessary to get acquainted with the system through which international trade operates.

### **The WTO: Definition, Function, and structure**

The WTO was the first international organization of “universal character” that was created in the post-Cold War era. And it filled the vacuum left by the dead ITO as the “third pillar” of the post-World War II international economy<sup>(2)</sup>. The creation of the WTO bolstered the international trading system by governance that was lacked under GATT, whose last days were a story of disintegration and disobedience. Thus, the strength of the agreement lies mainly in the clause that declared the creation of a new organization. “In political terms this created a symbolic visibility and permanence for the international trade policy system that would not have occurred had the Uruguay Round results been promulgated simply as a series of agreements within the GATT context”<sup>(3)</sup>.

The WTO has as its major function the administering of trade agreements that were achieved by member countries through negotiations. Examples of these agreements are: the General Agreement on Tariff and Trade (GATT), the General Agreement on Trade in Services (GATS), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Trade negotiations are like a “market” where trade rules and principles are first agreed

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2- Winham, Gilbert, and Anna Lanoszka. “Institutional Development of the WTO.” *The World Trade Organization in the New Global Economy*. Ed. Alan M. Rugman, and Gavin Boyd. Cheltenham: Edward Elgar Publishing Ltd, 2001. P. 23.

3- *Ibid.*, P. 25.

upon among member countries to become their “code of conduct,” they then engage in reciprocal trade concessions to liberalize their trade and open their markets<sup>(4)</sup>

The result of this market exchange is the code of conduct that all member countries are called to respect and alter, when necessary, through negotiation. But things are far from being simple as they seem to be. Much depends on the willingness and perseverance of member states to adhere to the rules administered by the WTO. Conflicting interests intervenes to complicate the task for governments and make out of the foreign trade policy-making an ever intricate process. “Industry associations, labor unions, regional authorities, consumer lobbies, and government agencies all interact in determining the policy outcome.” The WTO in this sense resembles a “mast” that member governments choose to cling to if they want “to escape the siren-like calls of various pressure-groups”<sup>(5)</sup>. Yet, much depends on how far governments are ready to tame down domestic pressures and prioritize multilateral trade disciplines.

The WTO, contrary to GATT, is endowed with a solid structure. The one that can carry out the huge tasks of administering trade rules, enforcing them, monitoring national trade policies, and settling disputes between member countries. The Ministerial Conference is the highest WTO’s decision-making body, meeting once every two years and in which all member countries are represented. The General Council, which is formed of officials from all member countries, carries out the tasks of the Ministerial Conference when it is out of session. The General Council can also meet as a Dispute Settlement Body (DSB) “to adjudicate trade disputes,” or as a Trade Policy Review Body “to review trade policies of the member countries.” Three other major sub-bodies operate under the control of the General Council: the Council for Trade in Goods; the Council for Trade in Services; and the Council for Trade Related Aspects of Intellectual Property Rights. There are other sub-councils whose functions depend on the circumstances that called for their creation. And like any international organization, the WTO has a secretariat whose role

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4- Hoekman, Bernard M., and Michel M. Kostecki. *The Political Economy of The World Trading System: From GATT to WTO*. Oxford: Oxford University Press, 1995. P.20.

5- *Ibid.*, p.23-24

is to supplement the effort and facilitate the task of the different bodies and councils. Heading the secretariat, the Director-General is the guarantor of the common interest of all member states. The complexity of his delicate mission defined his role to be that of a “broker” and not a “decision maker”<sup>(6)</sup>.

The WTO is a “rule-based” organization. Its primordial objective is to observe the application of the set of negotiated rules in order to promote free trade and provide a level-playing field to all trading partners. Any system of rules needs a dispute settlement mechanism<sup>(7)</sup>, which is considered the point of strength of the WTO system. A WTO member may invoke dispute settlement procedures whenever it was believed that a trade partner has “nullified or impaired” an agreed upon concession or broke a WTO rule. A complainant government presents its case to the Dispute Settlement body (DSB) whose ruling is more “timely,” “automatic,” and “binding” than it was before<sup>(8)</sup>. Yet, dispute settlement panels are formed of experts and not elected members. And since their only mission is to judge whether an action undertaken by a government is an impediment to trade or not, they do not take into consideration other important factors such as: public health, economic equity, or national sovereignty. Besides, the panels operations are arcane and held secret from public knowledge, a thing that undermines the transparency of the procedure and exposes the organization to critique and offense from non-governmental organizations and different public bodies<sup>(9)</sup>.

### **The World Trade Organization: Rationale for Free Trade and Fundamental Principles**

#### **The Rationale for Free Trade: The Comparative Advantage Theory**

Defenders of liberal trade policies tend to denounce all kinds of gov-

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6- Ibid. p. 37-39.

7- Winham, Gilbert, and Anna Lanoszka. “Institutional Development of the WTO.” *The World Trade Organization in the New Global Economy*. Ed. Alan M. Rugman, and Gavin Boyd. Cheltenham: Edward Elgar Publishing Ltd, 2001. P. 33.

8- Hoekman, Bernard M., and Michel M. Kosteci. *The Political Economy of The World Trading System: From GATT to WTO*. Oxford: Oxford University Press, 1995. P.46.

9- Barlow, Maude, and Tony Clarke. *La bataille de Seattle : sociétés civiles contre mondialisation marchande*. France : Fayard, 2002. P. 142-43.

ernment interventionism in economic matters. They invite nations to liberalization and free trade through such theories as the “comparative advantage” theory. This theory was developed by British economists Adam Smith and David Ricardo late in the 18th and early 19th centuries. According to it, different nations possess different economic capacities in terms of natural resources and labor skills required for the production of different goods and services. Making the best out of its resources, a nation is required to specialize in what it can produce most cheaply and effectively: products in which it enjoys comparative advantage. This privilege will give the county competitiveness in international markets, and generate revenues to import needed goods and services that other countries excel in producing<sup>(10)</sup>.

Hence, the comparative advantage theory is an invitation to all nations to endorse trade liberalization and economic openness since all are —theoretically— supposed to gain in a free trade scenario.

The economic specialization gives more opportunities to varied and abundant consumption. In real terms, the level of consumption quadrupled over the last eight decades. Thus, it is up to each country to make the best decision as to what to specialize in. and this “depends on what one does best compared with the other things that could (or would have to) be done.” International trade, in this sense, guides countries “to specialize in production according to their comparative advantage.”<sup>(11)</sup>

### **The WTO System: Fundamental Principles**

The entrenched mission of the WTO is to promote free trade through negotiating new rules, enforcing old ones, and settling rising disputes. It stands on the principle of Non-discrimination, which is divided into two factions. The first is the principle of the “most-favoured nation” (MFN) which stipulates that a country should treat its trading partners equally. For instance, when a country accords a tariff reduction to a product from another country, it has to give the same privilege to all trading partners exporting that same

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10- Goldstein, Joshua S. “International Political Economy.” Encarta. CD- ROM. Seattle: Microsoft, 2002.

11- Hoekman, Bernard M., and Michel M. Kostecki. *The Political Economy of The World Trading System: From GATT to WTO*. Oxford: Oxford University Press, 1995. P.22-23.

product into the country's market. In other words, it has to grant all possible privileges to all foreign traders as if they are all most-favoured. The MFN is a basic principle in the three major agreements of the WTO; GATT, GATS and TRIPS. The second is the principle of the "National Treatment," which requires governments to treat imported goods and services in the same way as locally-produced ones once they enter its market, thus according them a national treatment <sup>(12)</sup>

Another essential principle is that of "fair competition," whereby a government is given the right to restore barriers in well-defined cases: injury brought to a domestic product because of import competition, safeguarding the balance of payments, or else protecting public health or national security. Also, in case of subsidized imports, a government can impose countervailing duties on the exporting country to compensate for the losses suffered by domestic producers. The same when dumping (which means selling below the normal price) occurs; a government has the right to charge anti-dumping duties on the foreign product. Although these measures go counter to the principles of free trade (which dictates falling barriers), yet governments are allowed in these specific cases to raise barriers in order to tame down a ferocious competition. "The underlying idea is generally that competition should be on the basis of a 'level playing-field'"<sup>(13)</sup> Therefore, all nations should be granted the same privileges by their trading partners (even grounds) so that the competitiveness of their products will not be impaired.

### **Trade and Development**

The World Trade Organization is unique in the sense that it is the only international institution in which member countries enjoy —theoretically— equal status; and this is mainly because no financial contributions intervene to give leverage to rich shareholders. Decision-making is built on consensus, creating thus an aura of democracy inside the organization. The main objec-

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12- The World Trade Organization (WTO). "Understanding the WTO." WTO. Sept 2003. WTO. 23 Dec. 2003

<[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/understanding\\_e.doc](http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.doc)>.

13- Hoekman, Bernard M., and Michel M. Kostecki. *The Political Economy of The World Trading System: From GATT to WTO*. Oxford: Oxford University Press, 1995. P.32.

tive of the WTO is the dissemination of free trade principles and making them operative and binding worldwide. The organization is characterized by massive developing country membership, a thing which dictated that a special care be given to the question of development in the different WTO agreements and disciplines.

The drafters of the Preamble of the Agreement for establishing the WTO, for instance, stressed “the need for positive efforts designed to ensure that developing countries and especially the least developed secure a share in the growth in international trade commensurate with the needs of their economic development”<sup>(14)</sup>. The Uruguay Round agreements contained two items that can prove of potential importance to developing countries. First, many agreements offered enhanced market access to products of interest to developing countries. These include agricultural and textiles and clothing products, two areas that previously escaped GATT disciplines. Second, the strengthening of the dispute settlement mechanism by making the quasi-judicial decisions of the dispute settlement panels binding to the disputant parties. This can offer more protection to weak countries against large and more powerful ones in bilateral trade disputes, which is not to be the case outside the WTO<sup>(15)</sup>.

It depends, however, on the good will of developed-country members to make out of these two aspects engines of development. Because nothing can stop the United States, for instance, from blocking a panel ruling that goes counter to the interest of an American corporate group; or else, preventing it from adopting retaliatory measures against a developing country in case US trade policies were overtly challenged in the WTO. Besides, filing complaints is very costly and requires expertise, and developing—let alone Least-Developed—countries can afford supplying neither money nor experts.

### **Special and Differential Treatment**

Developing countries in the WTO can benefit from Special and differ-

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14- Michalopoulos, Constantine. *Developing Countries in the WTO*. GB: Antony Rowe Ltd, 2001. P.38.

15- The World Trade Organization (WTO). “Understanding the WTO.” WTO. Sept 2003. WTO. 23 Dec. 2003  
<[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/understanding\\_e.doc](http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.doc)>. P.33-34.

ential treatment in two fundamental ways. Firstly, they are exempt from the application of some WTO obligations because of impeding country circumstances. For instance, “they enjoy the freedom to undertake policies that limit access to their markets or provide support to domestic producers or exporters in ways that are not allowed to other members.” Secondly, they are accorded extra time for the implementation of their WTO commitments. And sometimes a more favourable treatment to a member country comprises the two concessions<sup>(16)</sup>.

In the case of Least-Developed countries (LDCs) rules get more flexible. In the Uruguay Round agreements, they were accorded extra privilege with 17 provisions applicable specifically to them, in addition to what was accorded to developing countries in general. “The agreements on agriculture and subsidies exempt LDCs from all reduction commitments, with the subsidies agreement allowing for an extended phasing out of subsidies once export competitiveness is established.”<sup>(17)</sup>

In theoretical terms, developing countries were accorded the care the vulnerability of their economic status requires. Yet it remains to be known “whether the developed countries have lived up to their Uruguay Round commitments in general, and specifically with regard to the provision of special and differential treatment.”<sup>(18)</sup>

Special and differential treatment, however, is not granted free of charge to developing countries (if granted at all): a lesson learned by rote from common international affairs practices. It was introduced in the different trade agreements rather for expediency considerations than for moral ones.

Developing countries consented to sign the Uruguay Round agreements because they were promised transitional time frames and technical assistance that would help them enhance their capacity to integrate safely in the international trading system<sup>(19)</sup>.

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16- Ibid. p.38

17- Michalopoulos, Constantine. *Developing Countries in the WTO*. GB: Antony Rowe Ltd, 2001. P.42.

18- Ibid. p. 43.

19- Ibid. p. 35.



However, as late as the Cancun Ministerial of the WTO (September 2003), developing countries were still claiming for a simple and rudimentary right, that of a special consideration to their economic weakness by a seemingly deaf international community. During the conference, the South highlighted the distance of development that exists between them and the North in order to get an asymmetrical treatment in trade agreements of interest to them. This consists of a differential treatment and a more flexible and expanded timetables as stated in the different WTO agreements and disciplines<sup>(20)</sup>. Free trade, when based on fairness and equity, is more important to development than aid. The per capita income developing and low-income countries generate through exports is more than 30 and 12 times that received from aid: \$322 vs. \$10 and \$113 vs. \$9 respectively. This means that even the slightest increase in market share is far more beneficial to developing countries than any increase in aid<sup>(21)</sup>. An increase of five per cent in the developing countries' share of world exports, for instance, can generate more than \$350 billion, seven times as much as what they receive in aid<sup>(22)</sup>. For Africa, an increase of just one per cent would generate \$70 billion, dwarfing thus the \$14.6 billion of debt relief and aid combined. Figures, however, show that Africa is losing world market share instead. Sub-Saharan Africa, for instance, accounts for 1.3 per cent of goods and services exports, one-third of its share at the start of the 1980s<sup>(23)</sup>. While enhanced market share generates income and contributes to poverty reduction; losing markets, therefore, means poor people sinking ever deeper in deprivation and destitution.

Moreover, the research work was an endeavour to wrap the international trading system in a simple, comprehensible theoretical package. It travelled back to the post-World War II era in order to trace the early beginnings of the system. By the end of a devastating War, the nations of the world came to the conviction that cooperation is indispensable for a world of peace and security. The painstaking work started thence to build the three-pillar internation-

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20- Ziady, Hassan. "Le principe d'asymétrie." *Ecofinance* 36. Nov. 2003. p. 45.

21- Watkins, Kevin. "Rigged rules and Double Standard: Trade, Globalisation, and the Fight against Poverty." *Make Trade Fair*. Mar. 2002. Oxfam. 18 Feb. 2004. P. 47.

22- *Ibid.* p. 48.

23- *Ibid.* p. 50.

al economic structure that comprised the International Monetary Fund, the World Bank and an International Trade Organization, which had never seen light. Instead, the General Agreement on Tariff and Trade was established to monitor international trade matters for nearly half a century.

By the advent of the eighties, there were strong calls for reform. The GATT system showed impotence to face the new challenges of international trade that emerged out of a world economy getting more globalized and diversified. The GATT membership expanded to include a growing number of developing countries, as a result consensus became difficult to reach and a system of side codes appeared to compromise the very integrity of the de facto organisation, whence the epithet “GATT a la carte.” Besides, the international trading system expanded in scope to include new trade topics that got beyond GATT’s jurisdiction.

The WTO was procreated out of the compelling international circumstances in order to absorb the newly emerged trade disciplines (GATS and TRIPS ...) and contain an ever-growing international trade. Its fulfilled structure gave it leverage to administer trade rules, monitor international trade, and settle disputes between trading partners. Its sacred mission is to promulgate free trade and ward off (and punish) protectionist policies. The rationale behind this is the fact that free trade can benefit all nations, big and small alike. Now that the international trading system took full shape, did it fulfil the aspiration of the peoples that confided in it?

### **U. S. Subsidies and the West African Cotton Crisis**

Developing countries were invited to join the club of the liberal world and were promised full consideration of their economic sensitivity when they do. Yet, reality proved to be other thing than myth. Free trade, and all the liberal rhetoric that wrap it, is but a shot from a mythical world that did not, does not, and will never exist. And there is no better illustration to this state of being than the suffering of West African cotton farmers. The poor farmers were begrudged the basic right of being remuneratively rewarded for their highly competitive cotton. Their American counterparts, however, tend to win even without selling. The answer of the riddle lies in the US treasury, which showed ready to pay colossal sums to handful rich farmers. While doing so, it compromised the very livelihoods of millions of poor households in West Africa, who can think absolutely of no other substitution of cotton for a mainstay.

Furthermore, the work explains how cotton was of crucial importance to West African countries, both on the macroeconomic and social levels. It also supplies the facts that lead to the logical should-be conclusion: the West African cotton should have got full remuneration in international markets had free trade rules taken normal course and justice and equity prevailed over interest. It similarly sheds light on the US trade policy and the influence it had in the West African crisis. It displays the unreasonableness and notoriety of US cotton subsidies by giving records of the losses, in export earnings and GDP, underwent by Key West African cotton-producing countries. The pernicious effects of US subsidies on West African economies are further stressed by invoking studies which tried to reckon the economic impact of subsidy removal in terms of revenues recovered.

The 2002 Farm bill guarantees full support to cotton farmers for the six-year period which ensues its enactment. President Bush, on the other hand, does not show any readiness to upset the people who backed him financially and politically to come to terms with poor West African farmers. The vandalized region, by the end, was left with but one alternative: four of the main West African cotton countries launched a campaign in the WTO for equity and fairness.

### **The Importance of Cotton to West African Economies**

The cash strapped economies in developing and Least-Developed countries rely mainly on low-cost, labour-intensive activities. Farming thus is the most important economic sector for most of them. Cotton is a major source of revenue to rural communities as well as to national economies for a large number of West African countries. In order to maintain a comfortable position in a highly volatile cotton market, West African countries strove over decades to increase production and enhance quality. As a result, the production rose from 150,000 tons of cotton fibre in the 1970s to around 500,000 tons in the 1990s, and to more than 1 million tons in 2003/04<sup>(24)</sup>. In a speech to the EU-Africa Cotton Forum (Paris, 5 July 2004), Ibrahim Malloum —President

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24- Hussein, Karim, Christophe Perret, and Leonidas Hitimana. "The Economic and Social Importance of Cotton Production and Trade in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods." OECD. Jan. 2005. SWAC. 5 June 2005. P. 14. < <http://www.oecd.org/dataoecd/19/8/34352756.pdf>>.

of the African Cotton Association—boasted about the achievements of the African cotton sectors:

During the last twenty years, Africa cotton production has experienced astounding growth and has reached a respectable level. On the international market, African cotton has become a reliable source of excellent quality cotton, available all year round, and essential in global cotton trade.<sup>(25)</sup>

When combined with Central Africa, the West African region is the second largest exporter of cotton in the world in 2004/05, outpaced by the United States as the largest exporter. The region accounted for 13 per cent of international market<sup>(26)</sup>. If cotton is of minor importance to the United States and the European Union, its importance is crucial to West African countries. This precious crop draws the line between poverty and well-being to entire populations in the poor region. Cotton accounts for mere 0.12 per cent of total merchandise trade in industrialized countries<sup>(27)</sup>. In the United States, its contribution to GDP is mere 0.0004 per cent<sup>(28)</sup>. Whereas in countries like Benin, Burkina Faso, Mali, and Chad, it accounts for 5 to 10 per cent of GDP, one third of export earnings, and more than 60 per cent of agricultural export earnings (table 1)<sup>(29)</sup>.

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25- Idem.

26- Ibid, p. 21.

27- Gillson, Ian, et al. "Understanding the Impact of Cotton Subsidies on Developing Countries." May 2004. UNCTAD. 5 June 2005. P.3. <[http://r0.unctad.org/infocomm/anglais/cotton/Doc/ODI\\_CottonReport.pdf](http://r0.unctad.org/infocomm/anglais/cotton/Doc/ODI_CottonReport.pdf)>.

28- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. "Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade." Oxfam America. Oct. 2004. Oxfam. 5 June 2005  
<[www.oxfamamerica.org/.../publications/briefing\\_papers/cotton\\_brief101804/cotton\\_brief101804.pdf](http://www.oxfamamerica.org/.../publications/briefing_papers/cotton_brief101804/cotton_brief101804.pdf)>.

29- Goreux, Louis. "Les producteurs de coton des pays CFA face aux subventions américaines et européennes." 24 May 2005  
<<http://www.ictsd.org/africoddev/analyse/coton/TexteGoreux.pdf>>.

**Table 1: The Role of Cotton Exports in the Economy of Key West African Cotton Producers**

	Cotton exports as a share of agricultural exports (2002)	Cotton exports as a share of total exports (2002)
Benin	61.9	34.9
Burkina Faso	53.6	32.7
Chad	43.1	23.7
Mali	58.8	12.9

**Source: World Bank Development Indicators, World Bank, 2004, and FAO Stat Food and Agriculture Organization<sup>(30)</sup>.**

West African countries are not equal in their dependence on cotton revenues. In countries with more diversified economies, the contribution of cotton to national GDP is less than 2 per cent. The instance of Nigeria, Cote d'Ivoire, and Cameroon, whose economies relies more on oil and cocoa revenues than on cotton's (figure 1)<sup>(31)</sup>. Hence, the study focuses mostly on countries like Benin, Burkina Faso, Mali and Chad, in which cotton constitutes the backbone of the economy (because of their non-diversified economies) and which are classified among the least- developed and highly-indebted nations of the World.

Besides, the four countries accounts for the weight of the region as the

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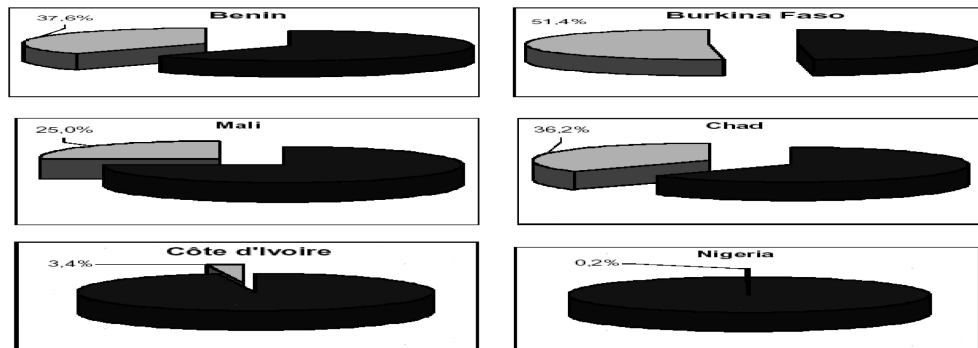
30- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. "Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade." Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 40.

<[www.oxfamamerica.org/.../publications/briefing\\_papers/cotton\\_brief101804/cotton\\_brief101804.pdf](http://www.oxfamamerica.org/.../publications/briefing_papers/cotton_brief101804/cotton_brief101804.pdf)>.

31- Hussein, Karim, Christophe Perret, and Leonidas Hitimana. "The Economic and Social Importance of Cotton Production and Trade in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods." OECD. Jan. 2005. SWAC. 5 June 2005. P. 14. <<http://www.oecd.org/dataoecd/19/8/34352756.pdf>>.

world second exporter of cotton. In 2001, their cotton exports amounted for 10 per cent of total world exports (“Briefing note” 2).

**Figure 1: Importance of Cotton Fibre Exports as a Share of the Total National Exports in Four Cotton Producing Countries (averages for 1998-2002)**



**Source: SWAC using data from FAOSTAT Database, 2004 and WDI World Bank, 2004<sup>(32)</sup>.**

### The Importance of Cotton to West African Economies

The importance of cotton to West Africa does not stop at the macro-economic and balance-of-payment levels. Its importance is further felt at the level of the farmer communities which produce the crop. Thus, it will be more expressive to go down stream and look at the poor rural households whose members endure back-breaking labour in order to maintain the very basics of life, through the toil of the hands and the yield of the lands. “Everything is linked to cotton here. We pay for everything with money that grows on the cotton vine – our clothing, building our homes, everything”<sup>(33)</sup>, thus runs the expressive statement of a Malian cotton farmer, well illustrative of the bearing of cotton income on farmer community.

In contrast to the highly mechanized US cotton production, which is undertaken by some 25,000 farmers, cotton production in West and Central Africa concerns directly the lives of around two million households. The figure

32- Ibid, P. 22.

33- Baden, Sally, at al. “‘White Gold’ Turns to Dust, Which Way Forward for Cotton in West Africa?” Oxfam. Mar. 2004. Oxfam. 5 June 2005. P.4. <[http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/downloads/bp58\\_cotton\\_wafrica.pdf](http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp58_cotton_wafrica.pdf)>.

underlines the labour-intensive aspect of cotton cultivation and its reliance on smallholder farmers.

Most farms average between 1-3 acres in size, and they employ large amounts of labour during planting, picking, and in other key seasons.... On a typical cotton farm in Africa, fields are prepared using hand-held ploughs drawn by oxen, seeds are planted and cotton bolls picked by hand, and weeding is carried out by women<sup>(34)</sup>.

Cotton thus is a motor for poverty reduction in the region. According to estimations, up to 16 million poor people in West Africa depend, whether directly or indirectly, on the income accruing from cotton production<sup>(35)</sup>, which is considered the most important, and in so many cases the only, source of cash to poor farmers<sup>(36)</sup>. Up to two-thirds of the population in West and Central Africa live below poverty line, a fact that further underscores the critical role of cotton as the main cash crop in the region. In Benin, for instance, around 100,000 farm households are estimated to depend solely on cotton income, which accounts for one-fifth of total households' wealth in the country<sup>(37)</sup>. The upshot is that farmer communities in West Africa depend mostly on cotton income for their access to basic social services. Thus "a small decline in price can make a crucial difference to a farmer's ability to meet the healthcare, educational, and nutritional needs of the household"<sup>(38)</sup>.

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34- Watkins, Kevin. "Cultivating Poverty: The Impact of US Cotton Subsidies on Africa." Oxfam. 2002. Oxfam. 28 Nov. 2004.

P. 19. <[http://www.oxfam.org/eng/pdfs/pp020925\\_cottonpdf](http://www.oxfam.org/eng/pdfs/pp020925_cottonpdf)>.

35- Karim Hussein, Christophe Perret, and Leonidas Hitimana. "The Economic and Social Importance of Cotton Production and Trade in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods." OECD. Jan. 2005. SWAC. 5 June 2005. P. 13. <<http://www.oecd.org/dataoecd/19/8/34352756.pdf>>.

36- Watkins, Kevin. "Cultivating Poverty", p.9.

37- Ibid, p.20.

38- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. "Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade." Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 12.

<[www.oxfamamerica.org/.../publications/briefing\\_papers/cotton\\_brief101804/cotton\\_brief101804.pdf](http://www.oxfamamerica.org/.../publications/briefing_papers/cotton_brief101804/cotton_brief101804.pdf)>.

Furthermore, studies undertaken by organizations with special interest in the development of West African agriculture (the case of Sahel and West Africa Club (SWAC)) found that cotton, far from undermining the cultivation of food crops, is intercropped along with cereals, and maintains a strong correlation with increased food staples 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”<sup>(39)</sup>.

In addition, a study by the World Health Organization confirmed that “higher income” and “more balanced diet” are more attainable in the case of cotton/corn rotation than cereals cultivation alone. The study also reports the health improvement that was observed in the region as a consequence of expansion in cotton production. “When cotton production increased rapidly from 1993/94 to 1997/98, the incidence of poverty fell from 50 percent to 42 percent in cotton areas, while it increased by two percentage points in areas without cotton”<sup>(40)</sup>.

Gillson summarized in three points how cotton as a main cash crop is crucial for short term poverty alleviation in West African countries. First, increased income that results from increased production and more remunerative world prices can be widely distributed among poor rural households; second, increased income to cotton farmers and their families becomes a source of energy to the entire economy, given the fact that the consumption patterns of those income holders require them to purchase goods and services produced locally: thus generating multiplier effects that benefit other poor households in the region; and third, since cotton production is a labour-intensive activity, and higher prices push forward production to expand, this will create addi-

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39- Karim Hussein, Christophe Perret, and Leonidas Hitimana. “The Economic and Social Importance of Cotton Production and Trade in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods.” OECD. Jan. 2005. SWAC. 5 June 2005. P. 29. <<http://www.oecd.org/dataoecd/19/8/34352756.pdf>>.

40- Goreux, Louis. “Reforming the Cotton Sector in Sub-Saharan Africa.” Nov. 2003. World Bank. 18 May 2005. Paper series, P. 6. <<http://www.worldbank.org/afr/wps/wp62.pdf>>.



tional employment<sup>(41)</sup>. By and large, cotton is produced in poor areas where the majority of households fall below poverty line and increased cotton incomes can surely help reducing poverty<sup>(42)</sup>. Cotton thus became the success story of the region. West African farmers cannot easily diversify their cultivation from cotton to other cash crops with the same privileges preserved. The reason behind this is the fact that cotton enjoys a natural comparative advantage which stems from “low production cost and high quality of West African cotton fibre.” And this gave it competitiveness in international markets well until the mid-1990s, when international prices kept in a trend of a long time decrease<sup>(43)</sup>. The understanding of the comparative advantage enjoyed by West African cotton will later help in an in-depth conception of the cotton crisis in the region, since it will highlight the paradoxes of the rule-based system of international trade.

### **Low-cost Producers yet Losers: The Cotton Price Crisis**

Comparative advantage is one principle that underpins the rationale for free trade promulgated by the WTO. It stipulates that all nations, no matter how poor or rich, are entitled to benefit from a rule-based, fully-liberalized international trading system. Nations specialize in products that are cheaply produced and to which an international demand exists. Consequently, they will gain competitive advantage in international markets. In the case of West Africa, this principle applies to the letter on cotton.

“Everyone knows that African cotton is among the most competitive in the world. It does not receive any subsidies. In most African countries, cotton is grown by small growers on small plots averaging about 3 to 4 hectares”<sup>(44)</sup>. The efficiency of smallholder farming explains the reason behind the competitiveness of West African cotton. Cotton balls are hand-picked and carefully tended a fact which enhances its quality. “Moreover, smallholder farmers have developed systems of soil nutrient replenishment and pest control

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41- Ibid, p. 59-60.

42- Ibid, p. 64.

43- Karim Hussein, Christophe Perret, and Leonidas Hitimana, P. 18.

44- Malloum, Ibrahim. “Speech by Mr. Ibrahim Malloum to the EU-Africa Cotton Forum.” 5 Jul. 2004. African Cotton Association (ACA). 7 Apr. 2005. P. 2. <<http://www.cotton-forum.org/docs/presentations/3.3-en.pdf>>.

that are well-suited to local conditions, and far less costly in financial terms than in more capital-intensive systems”<sup>(45)</sup>. Simply stated, the comparative advantage of West African cotton lies in its reliance on labour as the major input, and “the opportunity cost of family labour is very low”<sup>(46)</sup>. The average production cost in the US in 2001/02, for instance, was 50 per cent more than the cost in West Africa, where man work was paid less than a dollar a day<sup>(47)</sup>.

The International Cotton Advisory Committee (ICAC) estimated the production cost of a pound of cotton in Burkina Faso to be 21 US cents compared to 73 cents of its American counterpart.<sup>(48)</sup> Most West African cotton sectors can be remuneratively rewarded at 50 cents per pound, whereas few other international exporters can compete at such a level without subsidies<sup>(49)</sup>. West African cotton growers, however, kept losing in market share and export revenues despite their marked advantage over their competitors. World cotton prices underwent a structural collapse that started from the mid-1990s (figure 2). In 2001/02, they reached their lowest records since the Great Depression; prices bottomed out at 42 cents per pound. The most efficient producers in West Africa found it impossible to compete with prices that went far below the cost of production<sup>(50)</sup>.

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45- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” Oxfam. 2002. Oxfam. 28 Nov. 2004. P.20. <[http://www.oxfam.org/eng/pdfs/pp020925\\_cottonpdf](http://www.oxfam.org/eng/pdfs/pp020925_cottonpdf)>.

46- Goreux, Louis. “Reforming the Cotton Sector in Sub-Saharan Africa.” Nov. 2003. World Bank. 18 May 2005. P. 2. <<http://www.worldbank.org/afr/wps/wp62.pdf>>.

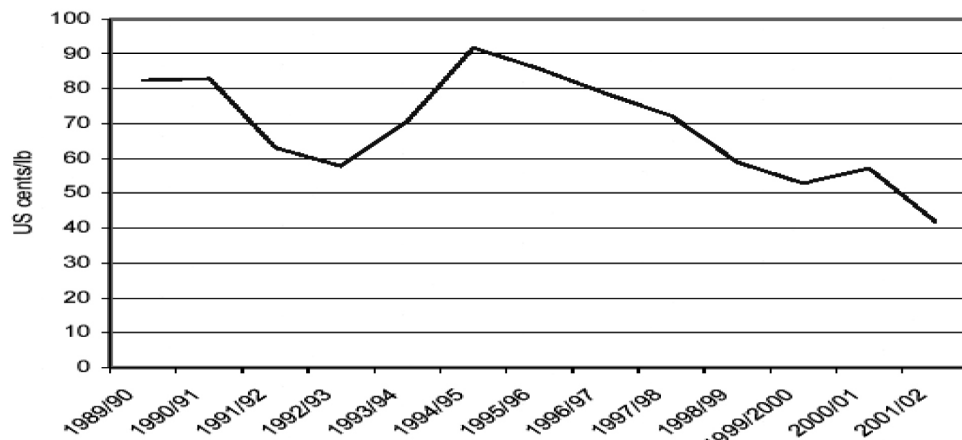
47- Goreux, Louis. “Les producteurs de coton des pays CFA face aux subventions américaines et européennes.” 24 May 2005. P.3. < <http://www.ictsd.org/afr/codev/analyse/coton/TexteGoreux.pdf>>.

48- UNCTAD. “The International Scandal of Cotton.” South Bulletin 74. 29 Feb. 2004: 112-3. 5 June 2005. <<http://www.southcentre.org/info/southbulletin/bulletin74/bulletin74.pdf>>

49- Watkins, Kevin. “Cultivating Poverty: P.20.

50- Ibid, p.8.

**Figure 2: World cotton price (US cents/lb.), 1989/90-2001/02**



**Source: International Advisory committee (Watkins “Cultivating Poverty” 28).**

The President of the Cotton Producers’ Union of Burkina Faso, François Traoré, was asked about the ideal price upon which livelihoods in West Africa will not be threatened; he answered that at 80 cents everybody can enjoy a happy and stable life, at 60 cents the African is left with the minimum to live, and at the first weather vagary everything can be lost. What about the 42 cents? Had it lasted for three years, the African growers would have found themselves obliged to stop their cotton cultivation. The local community could then bear the after-effects: town conflicts, rural exodus, delinquency, insecurity and crime<sup>(51)</sup>. Good news! The International Cotton Advisory Committee (ICAC) projected prices to remain depressed (50-60 cents) up until 2015<sup>(52)</sup>.

“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, and development multipliers including poverty reduction? How

51- Cadasse, David. “Cancún : l’espoir malgré tout, Le sort du coton africain entre les mains de l’OMC.” Afrik.com. 9 Sept 2003. 3 Apr. 2005. < <http://www.afrik.com/article6549.html>>.

52- Ibid, p. 8.

many people will be affected?”<sup>(53)</sup> Through the already explored importance of cotton to poor West African populations, the answer should come obvious that they have much to endure. International market prices pushed West African farmers to operate at a loss in a time where they should have been in the forefront to determine market trends, in simple credit to their high-efficiency. This is the logic of free market, which all WTO members agreed to respect, big players included.

A recent study by the International Food Policy Research Institute (IFPRI) showed that a strong correlation exists between cotton prices and poverty in Benin. It found that a 40 per cent reduction in farm-level cotton prices leads to a 21 per cent reduction in income for cotton farmers, ...results in an increase in rural poverty of 6-7 per cent, ...[and] leads to a rise in the incidence of poverty for cotton farmers, from 37 per cent to 57-58 per cent. The effects of falling cotton prices ripple throughout Benin’s economy. For every dollar change in spending by cotton farmers there is a total change in spending of \$3.30.<sup>(54)</sup>

Listening to farmers, who are mostly affected by the international price slump, gives an in-depth expression of the repercussions of the crisis in West Africa. “[C]otton here is everything,” cried a farmer from Burkina Faso, “it built our schools and our health clinics. We all depend on cotton. But if prices stay this low, we have no hope for the future”<sup>(55)</sup>. Another lamented in disappointment: “How can we cope with this problem? Cotton prices are too low to keep our children in school, or to buy food and pay for health. Some farmers

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53- Hussein, Karim, Christophe Perret, and Leonidas Hitimana. “The Economic and Social Importance of Cotton Production and Trade in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods.” OECD. Jan. 2005. SWAC. 5 June 2005. P. 13. <<http://www.oecd.org/dataoecd/19/8/34352756.pdf>>.

54- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. “Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade.” Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 13. <[www.oxfamamerica.org/.../publications/briefing\\_papers/cotton\\_brief101804/cotton\\_brief101804.pdf](http://www.oxfamamerica.org/.../publications/briefing_papers/cotton_brief101804/cotton_brief101804.pdf)>.

55- Ibid. p. 19.

are already leaving. Another season like this will destroy our community”<sup>(56)</sup>. To West African farmers “‘white gold’ looked as though it were turning to dust”<sup>(57)</sup>.

The second part of the story takes place on the opposite shore of the Atlantic from West Africa. The American cotton belt is the next setting. It is there that the huge trade-distorting policies take place, exposing thus the West African farmers to the hazards of poverty and destitution. The United States’ huge subsidies to its cotton producers accounts for a large share of the depreciation in world cotton prices. This is what the next section of this chapter will try to clarify.

### **The United States’ Cotton Subsidies and the losses wrought on West African Economies**

The WTO made it its mission to free international trade from all types of trade-distorting policies, which stem mainly from protectionist tendencies in trading countries. The most denounced of all these policies are those which impair competition and harm fairness, since they undermine one of the founding principles of the organization that of creating a level-playing field to all trading partners. The idea is to delimit national policies that give privilege to national producers of a given product (say cotton) over international producers of the same product, so that opportunities to market share by the deprived majority are not to be undermined by the privileged minority. In the case of cotton, the principles of fairness and equity are blown in the air. The United States pours huge sums to its cotton farmers, threatening thus the very chances of survival of poor West African farmers, whose government can never afford to keep pace with the massive subsidization of the rich American treasury.

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56- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” Oxfam. 2002. Oxfam. 28 Nov. 2004. P.5 <[http://www.oxfam.org/eng/pdfs/pp020925\\_cottonpdf](http://www.oxfam.org/eng/pdfs/pp020925_cottonpdf)>.

57- Baden, Sally, at al. “‘White Gold’ Turns to Dust, Which Way Forward for Cotton in West Africa?” Oxfam. Mar. 2004. Oxfam. 5 June 2005. P. 5. <[http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/downloads/bp58\\_cotton\\_wafrica.pdf](http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp58_cotton_wafrica.pdf)>.

## The United States: The Biggest Subsidizer and the Largest Exporter of Cotton

Subsidies granted by the US government to its cotton farmers help insulating them from market fluctuations, a fact which encourages them to increase production regardless of world market signals that dictate cuts in production in time of low prices. US subsidies in this regard are of big trade-distorting effect<sup>(58)</sup>. They allow American farmers to sell cotton at prices far below the cost of production (dumping) and cause prices to collapse<sup>(59)</sup>.

The United States is the biggest subsidizer of cotton in the world. From 2000 on, the US government transfers to its 25,000 cotton farmers ranged from 2-3 billion dollars (3.7 billion dollars in 2003)<sup>(60)</sup>. Extensive subsidization was accompanied by an increase in production and exports. In 2001, “the fifth year of an almost unprecedented price slump,” US cotton production hit a record of 20.3 billion metric tons with an increase of 42 per cent over 1998. At this very period of crisis, American exports volume almost doubled rising from 946,000 metric tons in 1998 to 1.8 million tons in 2001<sup>(61)</sup>.

Increased US exports means gaining market share at the expense of other exporters like West Africa, which is the second largest exporter in the world

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58- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. “Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade.” Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 23.

<[www.oxfamamerica.org/.../publications/briefing\\_papers/cotton\\_brief101804/cotton\\_brief101804.pdf](http://www.oxfamamerica.org/.../publications/briefing_papers/cotton_brief101804/cotton_brief101804.pdf)>.

59- Tiller, Kelly J., and Harwood D. Schaffer. “U.S. Cotton Subsidies under fire: Would Subsidy Elimination Really Help Farmers Worldwide?” Agricultural Policy Analysis Center. University of Tennessee. 5 June 2005

<<http://apacweb.ag.utk.edu/ppap/pp04/BCC04.doc>>.

60- Karim Hussein, Christophe Perret, and Leonidas Hitimana. “The Economic and Social Importance of Cotton Production and Trade in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods.” OECD. Jan. 2005. SWAC. 5 June 2005. P. 40. <<http://www.oecd.org/dataoecd/19/8/34352756.pdf>>.

61- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” Oxfam. 2002. Oxfam. 28 Nov. 2004. P.5 <[http://www.oxfam.org/eng/pdfs/pp020925\\_cottonpdf](http://www.oxfam.org/eng/pdfs/pp020925_cottonpdf)>.

after the United States. Hence it will be difficult to neutralize the impact of US domestic support on international markets. In 2001, for instance, subsidies exceeded the value of production amounting to over 130 per cent of the US production value. “The dominant position of the US in world cotton export activity means that these subsidies have obvious implication for the prices and world market share of other exporters”<sup>(62)</sup>.

Subsidies are highly unfair in the sense that they award less-efficient farmers over high-efficient ones, minority over majority, and rich over poor. Open market logic maintains that the most efficient determines the trends of world prices. The less efficient has to cut back production. “In the world cotton market this proposition is stood on its head,” since it is the highly efficient that ceded place<sup>(63)</sup>.

Farmers in Africa are among the most efficient in the world, despite climatic uncertainties, limited infrastructure, and high levels of poverty. On a level playing field, they could compete with US cotton farms. What they cannot compete with is US cotton farms selling produce on international markets at prices that bear no relation to the costs of production, courtesy of corporate welfare checks underwritten by the world’s most powerful treasury<sup>(64)</sup>.

A simple comparison between the 25,000 cotton plantations, which benefit from extravagant government transfers in the American cotton belt, and the 2 million poor households in West Africa, to which cotton is the mainstay, will be much of an appeal to human ethics and morals. The National Union of Cotton Farmers of Burkina Faso denounced this inherent iniquity in cotton subsidies: “Interestingly, in the countries where they subsidize, only about 5 per cent of the population are farmers. Here, farmers represent some 80 per cent of a population that is becoming increasingly impoverished on land that is itself becoming poorer, without the least help from the state”<sup>(65)</sup>. These

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62- Ibid, p. 25.

63- Ibid, p. 11.

64- Ibid, p. 27.

65- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. “Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade.” Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 25.

<[www.oxfamamerica.org/.../publications/briefing\\_papers/cotton\\_brief101804/cotton\\_brief101804.pdf](http://www.oxfamamerica.org/.../publications/briefing_papers/cotton_brief101804/cotton_brief101804.pdf)>.

farmers cannot help but feel outraged because of the prejudice they endure as a result of unfair policies, which made of them penniless hard workers. The below statement of a Beninese farmer is only one expression of disgruntlement out of the West African ocean of anger and distress. “If I produce without getting any money, and there’s someone who is guaranteed to get money even if he gets nothing from production, my rival will survive, and I won’t. That’s the big difference. I’ll stop, he’ll go on. There’s something unfair about it”<sup>(66)</sup>.

In truth, the United States is not the only cotton subsidizer in the world. Yet, it is the biggest among others (figure 3). The overall amount of governments’ spending on cotton in the world is 5.7 billion dollars a year. The United States is the big share holder in the sum. US subsidies, according to economists, more than any other country’s, inflict the most serious damage; they cause a reduction of, on average, 10 per cent in world cotton prices. Farmers in the European Union and China also receive substantial government transfers, yet not the way American farmers do. Besides, both of the EU and China are “net importers of cotton,” a fact which minimize the impact of their subsidies on world prices<sup>(67)</sup>.

Clearly stated, the notoriety of US subsidies owes mainly to the fact that the US is the biggest subsidizer and the largest exporter of cotton in the world. In 2002/03, US share of both world cotton subsidies and world cotton exports were 63 and 40 per cent respectively<sup>(68)</sup>.

It seems plausible that countries paying the most subsidies do most damage. Models developed to investigate the impact of cotton subsidies have found that US support, by virtue of its absolute magnitude, is particularly damaging and responsible for most of the reduction in cotton-earning potential in developing countries.<sup>(69)</sup>

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66- Ibid, p. 14.

67- Ibid, p. 5.

68- Goreux, Louis. “Cotton after Cancun.” OECD. Mar. 2004. SWAC. 24 May 2005 <<http://www.oecd.org/dataoecd/38/48/30751318.pdf>>.

69- Gillson, Ian, et al. “Understanding the Impact of Cotton Subsidies on Developing Countries.” May 2004. UNCTAD. 5 June 2005. P. 63. <[http://r0.unctad.org/infocomm/anglais/cotton/Doc/ODI\\_CottonReport.pdf](http://r0.unctad.org/infocomm/anglais/cotton/Doc/ODI_CottonReport.pdf)>.



**Figure 3: World spending on cotton subsidies, by country, 2001/02 (\$m)**



**Source: World Bank** <sup>(70)</sup>

High subsidization leads to both increased production and exports. In the United States, the share of production aimed for exports increased from 31 per cent in 1988/89 to 68 per cent in 2002/03<sup>(71)</sup>. The growing share of US cotton in international markets accounts for much of the slump in world prices. “American export prices set or greatly influence the world price, with attendant implications for farmers in developing countries who are competing against US exporters in international and domestic markets” <sup>(72)</sup>(Watkins “Cultivating Poverty” 13).

### US Subsidies Put in Context

Cotton farmers in the United States are among the most privileged in the world, and even among American farmers of other crops. The windfall gov-

70- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” Oxfam. 2002. Oxfam. 28 Nov. 2004 P. 30.

71- Baden, Sally, at al. “‘White Gold’ Turns to Dust, Which Way Forward for Cotton in West Africa?” Oxfam. Mar. 2004. Oxfam. 5 June 2005. P.5. <[http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/downloads/bp58\\_cotton\\_wafrica.pdf](http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp58_cotton_wafrica.pdf)>.

72- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” Oxfam. 2002. Oxfam. 28 Nov. 2004 P. 14.

ernment subsidies they receive annually made them immune from the ups and downs of international markets, since they are guaranteed remuneration even without selling or selling at prices that bear no relation to the real production costs. This state of things brought immeasurable harm to unsupported West African farmers. The losses incurred far outweigh The US aid to West African countries. And in the case of countries benefiting from the Highly Indebted Poor Countries (HIPC) Initiative, debt relief is wiped off by substantial losses in revenues because of low prices and lost market share.

Between 1998 and 2002, US government spent as much as 14.8 billion dollars in cotton subsidies. The value of US cotton for the same period was 21.6 billion dollars. The upshot is that “US cotton farmers earned nearly as much from government subsidies as the total value of their crop”<sup>(73)</sup>. Was it not for government subsidies, American farmers would have never endured the race against low-cost, highly-efficient rivals. These subsidies saved them annual loss of money since 1997 because of their non-economical production. The US Department of Agriculture (USDA) estimated that, in the absence of subsidies, the average American farmer would undergo a loss of 871.84 dollars per acre over the few past years (table 2)<sup>(74)</sup>.

**Table 2: US average cotton production costs and returns per planted acre, excluding direct government payments (dollars per acre)**

Crop Year	1997/98	1998/99	1999/00	2000/01	2001/02	2002/2003	Total
Total Costs	516.27	461.16	488.07	517.66	530.52	529.02	3,042.70
Market Value of Production	545.55	356.10	314.80	375.18	271.40	307.83	2,170.86
Value of Production Less Total Costs listed	29.28	-105.06	-173.27	-142.48	-259.12	-221.19	-871.84

73- Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. “Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade.” Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 13.

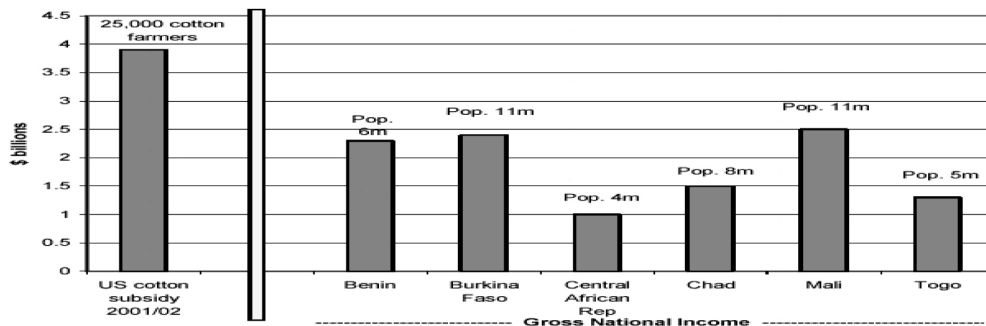
74- Ibid, p. 16.

**Source: Economic research Service, United States department of agriculture<sup>(75)</sup>**

The magnitude of United States subsidies is further noticeable when measured against entire GDPs of West African countries (figure 4). For the crop year 2002, US government transfer to its 25,000 cotton farmers were estimated at 3.4 billion dollars, which is the equivalent of the compounded GDPs of Benin, Burkina Faso, and Chad (Pfeifer 5); and three times US aid to Africa for that same year<sup>(76)</sup>. In 2001, an acre of cotton in the US received a subsidy of 230 dollars, which makes an average income in Burkina Faso<sup>(77)</sup>.

With these vertiginous amounts, the United States government broke with reality and common practice, for no other government in the world cherished a sector of its economy as the US did to its cotton sector. “The US cotton sector is governed by a curiously bizarre set of public policies. These policies are built on Alice in Wonderland economics, and driven by powerful vested interests masquerading as defenders of the public good”<sup>(78)</sup>

**Figure 4: US cotton subsidy and the gross national incomes for selected West African countries in 2000 (\$billions)**



**Source: World Development Indicators, World Bank, 2002, and US Department of Agriculture<sup>(79)</sup>**

75- Ibid, p. 17.

76- Zyad, Hamid. “Le Sud oublié—L’or blanc en péril.” *Le Nouvel Afrique Asie*. Oct. 2003 : 36-39.

77- *The International Scandal of Cotton*, p. 113.

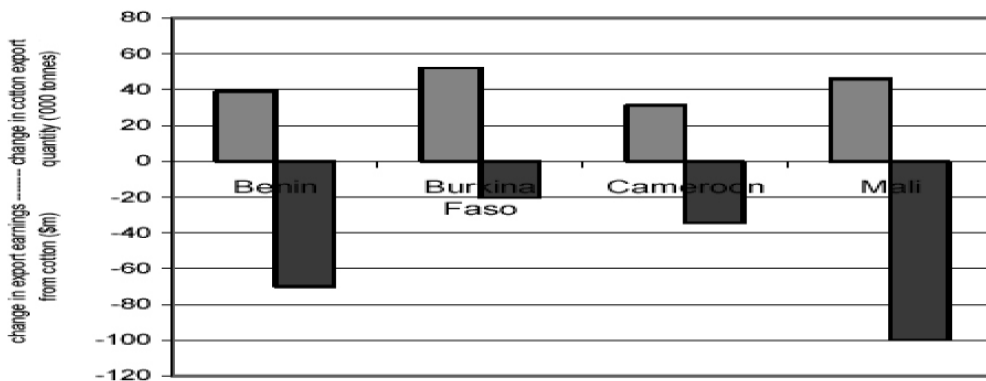
78- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” *Oxfam*. 2002. *Oxfam*. 28 Nov. 2004 p. 22.

79- *Idem*, p. 21.

### The Impact of US Subsidies on West Africa

The fates of both American and West African farmers are linked together; the well-being of the former seals the doom of the latter. The West African countries undergo serious macroeconomic difficulties because of foreign exchange losses related to cotton exports. Governments of the region feel resentment when seeing the widening gap between growing export and decreasing foreign exchange revenues (figure 5). For instance, Burkina Faso increased its exports by 50 per cent since 1994, yet its export earnings are 60 million dollars less than the mid-1990s records<sup>(80)</sup>. Many recent studies were conducted to reckon the impact of subsidies and low prices on West Africa, which is estimated to lose around 250 million dollars of export earnings annually. As the direct losses ripple throughout the economy, subsequent losses resound much louder.<sup>(81)</sup>

**Figure 5: Change in the quantity and value of exports 1994/95 - 2001/02**



Source: International Cotton Advisory Committee <sup>(82)</sup>

80- Idem, p. 10.

81- Baden, Sally, at al. “‘White Gold’ Turns to Dust, Which Way Forward for Cotton in West Africa?” Oxfam. Mar. 2004. Oxfam. 5 June 2005. P. 11. <[http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/downloads/bp58\\_cotton\\_wafrica.pdf](http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp58_cotton_wafrica.pdf)>.

82- Watkins, Kevin. “Cultivating Poverty: The Impact of US Cotton Subsidies on Africa.” Oxfam. 2002. Oxfam. 28 Nov. 2004. p. 28.

The bitter fact about the countries that are victims to the American unsound domestic policies is that they are the world's poorest. Burkina Faso, Chad, and Mali —major producers of cotton in West Africa— are among the last ten out of the 173 countries covered by the United Nations Development Program's Human Development Index. "More than half the population lives below the poverty line. Other indicators – such as child and maternal mortality, illiteracy, and access to water – are among the worst in the world."<sup>(83)</sup> Besides, they are among the 23 countries which benefit from the Heavily Indebted Poor Countries (HIPC) Initiative.<sup>(84)</sup>

The above factors considered, added to them the high dependency of these countries on cotton export revenues, reveal eloquently the magnitude of the economic shock generated by US policies. In the crop year 2001, Burkina Faso, Mali, and Benin underwent serious foreign-exchange losses equivalent to 1/1.7/1.4 per cent of GDP; and 12/8/9 per cent of export earnings respectively (table 3).<sup>(85)</sup>

The losses in export earnings undermined the aid these countries received from the United States. For the year 2002, Benin received 25 million dollars in aid and lost 14.3 million dollars in export earnings; Burkina Faso, 10 million dollars compared to 13.7 million dollars; Chad, 6 million dollars to 5.7 million dollars; and Mali, 37 million dollars to 14.7 million dollars. The value of the loss is also important when gauged against debt servicing in these countries. What Burkina Faso, Benin, Chad, and Mali lost in export earnings for crop year 2002 amounted to 32.6, 28.6, 23.8, and 21.3 per cent of their debt service payments<sup>(86)</sup>.

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83- Ibid, p. 7.

84- Pfeifer, Pfeifer, Kimberly, Gawain Kripke, and Emily Alpert. "Finding the Moral Fiber: Why Reform is Urgently Needed for a Fair Cotton Trade." Oxfam America. Oct. 2004. Oxfam. 5 June 2005. P. 12.

85- Watkins, Kevin. "Cultivating Poverty: The Impact of US Cotton Subsidies on Africa." Oxfam. 2002. Oxfam. 28 Nov. 2004 p. 17.

86- Pfeifer, p .11.

**Table 3: Cumulative loss of export earnings, 1999/2000 – 2001/02 for selected West African countries (\$m)**

	1999/2000		2000/2001		2001/2002		1999/2000 2001/2002	
	Export value (\$m)	Loss of export value (\$m)	Export value (\$m)	Loss of export value (\$m)	Export value (\$m)	Loss of export value (\$m)	Export value (\$m)	Total cumulative loss of export earnings (\$m)
Benin	176	10	169	18	124	33	469	61
Burkina Faso	123	7	132	14	105	28	360	49
Cameroon	83	5	97	10	81	21	261	36
Central African Rep	15	1	13	1	9	2	37	4
Chad	83	5	69	7	63	16	215	28
Cote d'Ivoire	186	11	142	15	121	32	449	58
Mali	234	13	158	17	161	43	553	73
Togo	71	4	52	5	61	16	184	25
Total	971	56	832	87	725	191	2528	334

**Source: International Cotton Advisory Committee<sup>(87)</sup>**

The damage inflicted on the cotton sector in West Africa pushes governments to intervene financially to spare the sector wholesale collapse, a thing which adds pressure on government budgets. In Benin and Mali, governments spend, respectively, 20 and 13 million dollars to support their cotton sectors.

87- Watkins, Kevin. "Cultivating Poverty: The Impact of US Cotton Subsidies on Africa." Oxfam. 2002. Oxfam. 28 Nov. 2004 p. 32.

The total support of the region (West and Central Africa) amounts to more than 50 million dollars. This remedial spending undermines governments' spending on vital social services, namely health and education. Besides, it creates tensions between local governments and the International Monetary Fund (IMF), which recommends cuts in expenditures for balance-of-payments reasons. "Most recently, the IMF has prohibited Benin from increasing cotton subsidies on the grounds that it would breach targets for reducing the fiscal deficit"<sup>(88)</sup>

Here is a site to enjoy the paradox of international organizations and question the duplicity of their standards. They condemn subsidies where they are mostly needed, and close the eye, on the other hand, on extravagant and pernicious ones.

### **A Best-Case Scenario: What if Cotton Subsidies Were Removed?**

As a consequence of their negative impact, cotton subsidies were subject to many studies conducted by organizations with developmental objectives and outstanding economists. They tried to reckon the impact of the removal of cotton subsidies on world prices and market share; as well as the advantage accruing to developing countries, namely West African countries as a consequence (table 4). The World Bank economist, Louis Goreux, for instance, estimated that the removal of subsidies in the cotton sector for the crop year 2001/02 would have caused a price rise of 15.2 per cent and export earnings for West and Central Africa equivalent to 250 millions dollars<sup>(89)</sup>.

From its side, the International Cotton Advisory Committee estimated that, with the withdrawal of direct subsidies, average cotton prices would have been 17 and 31 cents per pound above their 2000/01 and 2001/02 seasons records respectively. And that the removal of US subsidies alone for these same seasons would have resulted in an increase of 6 and 11 cents, a rise of 30 and 71 per cent above the actual averages of 57.2 and 41.8 cents per pound respectively (Buffes 18).

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88- Ibid, p. 18-19.

89- Qtd. In Baden, Sally, at al. 'White Gold' Turns to Dust, Which Way Forward for Cotton in West Africa?" Oxfam. Mar. 2004. Oxfam. 5 June 2005. P. 23.

**Table 4: Estimated foreign exchange losses as a result of US cotton subsidies in selected countries in West Africa (\$m)**

Country	Estimated value of cotton exports 2002/03 (\$m)	Estimated 2002/03 export value with the withdrawal of US subsidies (\$m)	Estimated value lost as a result of US subsidies in 2002/03 (\$m)
Benin	199	213	14.3
Burkina Faso	190	204	13.7
Cameroon	97	104	7.0
Central African Rep.	7	7	0.5
Chad	79	85	5.7
Cote d'Ivoire	102	110	7.3
Mali	205	220	14.7
Togo	103	111	7.4
Total	982	1,054	70.6

**Source: (Pfeifer 9)**

Thus, the elimination of cotton subsidies will prove most beneficial to West African countries given the invaluable contribution of the crop to their export revenues and GDP. The removal of subsidies leads to higher prices, and higher prices boost production and income for smallholder farmers. “In low income economies where the majority of the poor live in rural areas, an increase in income from export cash crop production is widely recognised to be one of the best short-term measures to alleviate poverty”<sup>(90)</sup>

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90- Gilson, 2004. p. 59.



Yet, it remains to know whether the Texan farmer will catch the yell from West Africa, and whether the American government is keen to do justice to millions of poor people whose livelihoods are ruthlessly sacrificed for the interest of a handful 25,000 rich farmers. Simply stated, the tragedy that is facing West Africa pertains to the huge amount of subsidization the American farmers receive as direct government transfers. This exposes the duplicity of the US foreign policy; while urging developing countries to expeditious reforms of their trade policies to make them in tune with free trade and open market rules, the US farm legislation breaks with the very fundamental principles of the WTO. The 2002 US Farm Bill is a case in point.

### **Conclusion**

The West African cotton crisis is pregnant with lessons about the workings of international affairs in general and multilateral trade in particular. It teaches that free trade rhetoric of economic powers, primarily the US, is mercant. The United States, with its duplicitous discourse, is projected to be the paragon of free trade. Common practices however denounce it as the bastion of protectionism.

History confesses that the road toward economic development starts with government protection and support of domestic sectors. And it was the path trodden by the industrialized nations, which tend today to demonize all shapes of government intervention in economic matters. Free trade advocates maintain that nations could benefit from economic liberalization regardless of their economic development, and this through economic specialization: no matter how poorly endowed a nation is, it can surely excel in producing something to sell in the international market place and buy, in return, what it cannot produce and the others excel in producing. Therefore, this theory blows off the mercantilist economic self-sufficiency and builds the rationale for free trade.

The rationale for free trade compounded with the special and preferential treatment provisions of the WTO disciplines should normally deliver on full development and safe integration of developing economies in the global economy. Yet, and as the West African cotton crisis shows, nations that are among the poorest in the world do beg rich nations to respect their rights as equal partners in a time where the WTO provisions entitle them to special treatment commensurate to their economic development.

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## ملخص البحث

### السياسة التجارية الأمريكية بين النظري والتطبيقي " الدعم الحكومي الامريكي وأزمة القطن في دول غرب أفريقيا بين عام 2001-2004"

تظهر الدراسة ازدواجية السياسة الخارجية الامريكية في تعاملاتها الاقتصادية والسياسية حيث تم التركيز في هذه الدراسة على الجانب الاقتصادي.

تألف المداخلة من مبحثين رئيسيين الأول نظري والثاني تطبيقي حيث يكشف الجزء الاول عن الأسس النظرية للنظام التجاري العالمي الدولي لتعريف القارئ بالخلفية التاريخية للنظام التجاري العالمي والمبادئ التي يقوم عليها.

ويوضح الجزء الثاني ويقيم الدعم الامريكي للقطن في بلدان غرب أفريقيا وأثرها السيئ على اقتصاديات دول غرب أفريقيا وسكانها وخاصة تلك التي في الغالب تعتمد على محاصيل القطن للعيش كما اثبتت الدراسة أن الولايات المتحدة الامريكية لا تطبق ما تصرح به رسميا، حيث تحمل أزمة القطن في دول غرب أفريقيا في طياتها دروساً حول طريقة عمل شؤون التجارة الدولية العامة متعددة الاطراف على وجه الخصوص، وهذا يفيدنا أن التجارة الحرة بين القوى الاقتصادية العالمية، وبشكل خاص، مع الولايات المتحدة الامريكية، هو مجرد رياء، فالولايات المتحدة الامريكية بازواجية خطابها، من المتوقع أن تكون نموذجاً للتجارة الحرة.



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