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The Cotton Initiative and the road to Hong Kong: stakes, challenges and African Alliances, what perspectives for civil society?

Rangarirai Machemedze
SEATINI

At a Pan-African stakeholders workshop on Cotton in Senegal May 6-7, SEATINI's acting Director, Rangarirai Machemedze spoke on offensive strategies towards the WTO Hong Kong Ministerial meeting. He warned of dangers of the link between development assistance (AID) and trade negotiations, which seem to be the strategy of the big powers and agricultural subsidizing countries. He also reminded the participants what happened to the cotton and textiles sectors under earlier aid programs such as Structural

adjustment loans. This is an abridged version of his paper that focuses on the dangers of accepting aid-in the context of trade negotiations.

The cotton initiative is a 'litmus test' for the Doha Agenda's capacity to deliver on promises to end dumping, which threatens the livelihoods of hundreds of millions of farmers in developing countries.

The Cancun 2003 conference failed to take off the ground, but not before the four West African states (Benin, Chad, Burkina Faso and Mali) had made their point. It was widely recognised that in the interest of equity and fairness, the rich countries, especially the US, should eliminate subsidies that were depriving the livelihood of millions of poor peasants in African countries. The matter is unresolved as the US rejected the West African initiative, twisting the debate around the issue of "sectoral support" to the textile industry to Africa under the Africa Growth and Opportunities Act (AGOA)

The four African countries called for:

- The elimination of export subsidies within three years and
- Domestic support within four years with effect from January 2005; and
- The establishment of a support fund.
- They were insisting on the negotiation in the cotton sector being a fast track process, independent of broader agriculture negotiations.

The cotton initiative of the four West African countries also had the support of the African Union, the LDC group and the ACP group. These countries met in Mauritius in July 2004 as G90 countries.

The US finally managed, at the July 2004 General Council, to push back the cotton issue to be addressed in the Agriculture negotiations. The July text agreement was followed by the non-defined phrases “ambitiously”, “expeditiously” and “specifically” to mandate the negotiations. The framework adopted fell short of African demands. No compensatory fund, as demanded by the C4 countries and supported by others, has been established. Instead, the development and finance support will be considered in the context of the existing programme of Bretton Woods Institutions, the IMF and the World Bank. It is not clear whether there will be additional resources for this purpose.

De-industrialization

The issues of subsidies given to US and EU farmers by their governments have been contentious and put forward as driving down international prices causing a crisis in cotton exporting developing countries (dumping and loss of livelihoods). But the picture is much larger than dumping and low prices.

Subsidies are just one part of the picture. The 2002 Farm Bill in the US dramatically increased US agricultural subsidies. The farmers were not better paid, but the world prices lowered to the benefit of the cotton

merchants including Cargill which is believed to have played a major role in drafting the Farm Bill.

Most significantly, for cotton farmers in the SADC region, the adoption of World Bank/IMF Structural Adjustment policies had, among other things, two consequences for cotton farmers:

1) It removed the system of central government guarantees of cotton prices and the collective bargaining power of the state with the cotton merchants, and the system of public extension worker’s provision of technical advice. This exposed the farmers to the vagaries of the market.

2) It also accelerated the de-industrialization of some of the countries which had a textiles sector through opening the market for import of cotton, textiles and clothing. In a market of asymmetrical power, such liberalization is a prescription for de-industrialization job losses, closure of factories etc.

The situation did not end there. The WTO came into being in 1995 and extended the process that had been initiated under the auspices of the IMF/World Bank. This time it was more difficult as the liberalization policies became legally-binding on countries, with practically no prospect to roll back commitments

From de-industrialization we have now entered into a phase of de-agriculturalisation. This is the major challenge we are facing through:

- Subsidies
- Tariff peaks and escalation
- Antidumping measures
- GM technology (TRIPS)
- Corporatisation of agriculture

It is time to acknowledge that problems occurring domestically in industrialized countries have been exported to developing countries creating “crises” such that we end up being permanently dependent countries on the North for

everything including those things that we are capable of producing ?. While the world appears ever smaller, challenges of capital bubbles, food insecurity, poverty, pollution, climate change continue to remain out of sight of the most prosperous populations.

Over the last two decades, the experience of small farmers from Central to South America, Africa and Asia have been strikingly similar. Many have been pressured to switch from diverse traditional farming practices to monoculture farming for overseas markets, and dependent on highly fluctuating and increasingly depressed commodity prices for their daily survival.

For example, the provision of extension services and credit were often conditioned (by international institutions or donors) upon farmers accepting the new technologies in export crops that were promoted. Farmers have been likewise forced to switch to export crops when local prices in staples and traditional crops have plummeted as a result of cheap subsidized imports often from the industrialized countries flooding the local markets. For the majority of small farmers, the process has been one of systematic impoverishment. Many have even been squeezed out of farming altogether. Even well established and technological advanced cotton farmers in South Africa are leaving cotton production. Instead of abating food scarcity, which has always been the reasoning for public investment in agricultural technology and hybrid seeds, food surpluses are increasing on the world market, yet ironically, for those most in need, hunger and food insecurity is now more pronounced than it has never been in previous decades.

Tactics in the context of reality in Hong Kong preparations

We need to think, and create alternatives beyond technical trade negotiations. We must never forget our long term globalist, humanist and flexible approach to local and regional differences in nature, culture, economic structure and vulnerabilities. It

is our right to maintain that today and in the future.

But alliances are results of differing interests in a broader sense. The big powers in the world's political and economic sphere, including the WTO and the Bretton Woods Institutions have all the means and power to create their alliances. They have the human resources to plan shifting tactics, and they do so.

The big powers change tactics. They were hit by the demand for "Justice" in Cancun, so now they are trying other possibilities. This includes diverting our negotiators' minds into thinking about AID – short sighted dependency thinking instead of structural reform and justice.

The quick rise to stardom of the cotton initiative, like the more successful initiative on access to medicines in Doha, offers but a glimpse of some of the more egregious distortions in the trading system that might be addressed when positive negotiating power is exploited by developing countries. In contrast the debates in Cancun were alarmingly silent on longstanding development issues such as special and differential treatment (S&DT), implementation issues, as well as declining commodity prices.

- Africa must not be naïve, as there are three areas it needs to address urgently in order to create solid cooperation and alliances.

On the whole Africa may need to consider the following issues, some of which go beyond trade negotiations.

- African countries should centre their development strategies on domestic and regional demand driven strategy
- There is a need to strengthen its negotiators' capacity to fully analyse the implications of regional and multilateral trade agreements and work out common and holistic negotiating strategies. This must include all stakeholders including the

private sector, civil society organisations, governments, the media and workers representatives

- Protection of farmers through tariffs and safeguard mechanisms
- There is need to strengthen local industries first. African governments should give incentives to local producers and manufacturers especially in the agro-processing industries for value added goods. There should also be deliberate use of government procurement to strengthen domestic and rural producers.
- People of the South should engage themselves and their politicians in building a regional strategy in all sectors e.g. Regional industrial, value added and employment strategy, agricultural strategy, rural development strategy that will support the positions at the WTO etc.
- Governments and interested stakeholders should look at the deprived and marginalized sections of the society not just from a welfare perspective but from an empowering and employment one. The Governments owe it to the people to provide adequate access to food, education, health, housing, affordable transport and other wherewithal of life. Whilst Governments should provide the means to assist those that do get deprived by market forces, the real way forward is to build on the creativity and energy of the people and their labour. Concretely it means putting resources (knowledge, money, institutions, infrastructure, etc.) but also trust in the hands of small farmers, small and medium scale enterprises, indigenous business-people that produce for the domestic market, indigenous scientists and technicians, and so on.
- Aid dependence should be progressively eliminated.

Linking cotton trade with development assistance will not work

Ludwig Chizarura

The continued wrangle between cotton producers in the South, and the major consumers (and producers) in the North over the ever-falling cotton producer price has reached a breaking point. In Zimbabwe these differences have sharpened during the last three seasons. It is unlikely that the producers will be persuaded to carry on with production purely on the grounds that the crop generates substantial export earnings for governments while their livelihoods are shattered.

This scenario is the same for all African cotton exporting countries. For this article, the Zimbabwean case is used as an example because the figures are readily available to the writer for consideration, but these conclusions are valid for the whole continent. Over the last three seasons in Zimbabwe, negotiations between the cotton buyers (merchants) and the farmer organisations ended with the latter losing out by an ever-widening margin.

Cotton farmers give up due to dumping

Last season the Zimbabwean growers demanded Z\$3600/kg but ended up getting Z\$1900/kg after government intervention, which resulted in a paltry price support increase of Z\$100/kg. The effect of the final decision has been the expected reduction of cotton production from 331,000 tonnes last season to 228,000 tonnes this season, a decline of 31% (*Martin Kadzere, in the Herald of April 14, 2005, "Cotton Output Decline to Have Ripple Effects"*). Revised figures by the Cotton Growers' Association of Zimbabwe indicate that the decline is bigger, reaching to between 140,000 and 150,000 tonnes (*Golden Sibanda in Herald, May 9, 2005, "Cotton Price Wrangle Rages On"*). This indicates a sharp drop of 58%!

A significant number of farmers have dropped out of cotton production and switched to alternative drought-resistant

crops. This year, farmers are demanding Z\$6000/kg while the cotton buyers are prepared to pay Z\$2000/kg citing the drop in international price from US\$0.70 to US\$ 0.40/kg (*Farming Reporter, Daily Mirror, May 9 2005*).

The above figures reveal that the farmers are getting lower and lower prices for their efforts, leading many of them to curtail production and /or switch to other crops. While they managed to get 53% of the desired price last year they got only a mere 33 per cent this year. The process of immiserization is continuing . The actual paid price is non-viable and in consequence the collapse of the cotton industry appears inevitable. Appeals for government support price have not yet been responded to. According to the chairman of the Cotton Growers Association of Zimbabwe, “There is definitely a need to support farmers for them to continue producing cotton considering that the Z\$2000/kg being offered by merchants is just about half the production cost for a kilogram of cotton.” His estimates are that it costs a farmer between Z\$3800 and Z\$4500 to produce a kilogram of cotton, which therefore means that a farmer would not break even on a producer price less than Z\$4500 per kg.

To address this crisis, civic organisations from Southern and West African countries held a workshop in Senegal over the issue. The situation is the same in West, Central and Southern African countries producing cotton for export. Four African countries known as the C4 countries (Mali, Chad, Benin and Burkina Faso) took the issue to the WTO in May 2003. While the reasons for the downward trend in the global cotton price are well known and documented, chief amongst them subsidies paid to US and EU farmers, it is the manner in which the negotiations are taking place and resolutions made that is of concern to the rest of African cotton exporting countries. It is reported that the EU has been negotiating separately with the C4 countries pledging development

assistance as opposed to removal of subsidies as a solution to the crisis. The assistance is believed to be US\$52 – 65 million per country. This is tantamount to treating the symptom and not the disease, a postponement of the solution. This development as perhaps intended splits the African voice and links cotton trade to development assistance.

Why support funds cannot be the solution

Compensation per se does not address the root cause of the cotton crisis, namely the subsidies. In fact the evidence provided by Goreux, (an independent French expert on trade who presented his work at the Pan African Cotton meeting in Senegal with African Stakeholders), reveals that “in 2000/2001 US domestic consumption of cotton fibres represented 52% of its total cotton production; by 2004/2005 the proportion has fallen to 27%.” This means the volume of US subsidised cotton being dumped on the international market has dramatically increased, further depressing the cotton price.

The fact that the American cotton subsidies contribute to depressing cotton prices on the world market and harm cotton exporters was recognised by WTO ruling following the referral of the US cotton subsidies by Brazil. According to the evidence proffered by Goreux, American subsidies have led to 11.6 % reduction in global prices, and when EU subsidies are added the reduction is 15% resulting in an expected income loss of US\$250 million for the African countries during the year 2004. A 15% increase in the global price during the same period would have resulted in an increase of net income of African cotton producers by close to 30%. Hence the elimination of subsidies by the US and EU is an effective measure to reduce the poverty of 10 million Africans and also be in conformity with WTO rules.

The acceptance of development assistance by the C4 countries as compensation for

the loss of potential market income, as a short-term strategy would be interpreted as bribery by the rest of Africa. It would be viewed as a ploy by EU meant to tone down the C4's structural demands for the immediate abolishment of subsidies. The demand for the removal of subsidies has Pan-African support. Goreux further argues that the offered development assistance represents a subsidy to the farmers within the C4 countries, and is likely to stimulate production in those countries, further depressing the global cotton price for other countries.

CONCLUSIONS

Thus the issue of cotton trade should be treated separately from development assistance. Its linkage camouflages the distortion of trade caused by subsidies. Development assistance is not the solution to the current cotton crisis that is confronting the producers in the South. Elimination of subsidies would promote African cotton in world trade and reduce the spiraling poverty amongst its producers.

Third meeting of the Sub-committee on cotton, 29 April 2005

Item 2C: coherence between trade and development aspects: updated on the development aspects of cotton: Secretarial Status Report

The initial report by the Secretariat under this agenda item was at the Second Meeting of the Sub-Committee on Cotton, on 22 March. That Report was circulated under Job No: 1969. The Secretariat is pleased to provide a further update to this Third meeting of the Sub-committee on Cotton.

1. The 3rd Round of Informal Consultations on the Development Assistance Aspects of Cotton, took place this week, on Monday, 25 April. At the consultations, the three principal stakeholders: the Cotton Proponents; the bilateral donors; and, the relevant multilateral agencies, participated fully.

2. Participants engaged

interactively and constructively, and the results were positive. The information exchanged indicated evidence of further progress, going beyond what had been previously reported to the Sub-Committee on Cotton on 22 March. Information reported showed a wide range of actual projects under way and planned, with new and enhanced opportunities for accelerated development assistance for cotton sector programmes, projects and activities. The cotton proponents welcomed the progress that emerged at the consultations. Benin, on behalf of the cotton proponents, conveyed appreciation to bilateral donors and multilateral agencies, and was explicit in expressing "optimism", albeit cautiously, on the new information provided on cotton development assistance. Benin expressed the hope for further improvements by the next Round of consultations.

3. Participants reaffirmed the priority accorded to the cotton issue and the necessity for ensuring coherence between the trade and the development aspects. The importance attached to the cotton issue by the Director-General was underlined by Mr. Stuart Harbinson, who chaired the meeting. The continuing commitment to coherence between the trade and development aspects, and the agreed treatment of the trade aspects within the framework of the Agriculture negotiations were underscored by Ambassador Tim Groser, Chairman of the Sub-Committee on Cotton, who participated at the meeting.

5. Members may wish to note four (4) specific developments, which emerged at the consultations and which would be more fully elaborated in the next substantive periodic report by the Director-General. These developments relate to the specific contributions by bilateral donors, multilateral institutions, and the issue of coordination.

First bilateral donors, namely, the European Commission, Germany, Japan, Canada and the United States intervened to provide information on recent, concrete,

positive developments, and enhanced opportunities for development assistance on cotton.

- The **European Commission** confirmed the allocation of funds for the all-ACP capacity building programme on commodities, for an indicative amount of €45 million, with €15 million dedicated to cotton. Areas for programme focus were specified. The EC report showed a response to earlier Secretariat appeal for bilateral attention to the critical area of "price risk management". It confirmed, "... attention to the issue of risk management, since risk management schemes offer innovative and efficient means for countries and producers facing yield or price fluctuations to stabilise their incomes". In doing so, the EC announced the contribution of €25 million to the new "Global Index Insurance Facility", being developed by the World Bank. The EC expressed the hope that its contributions would help leverage additional resources from other donors. The EC also announced financial contributions and support to cotton at the national levels in the proponent countries; €10 million for Burkina Faso; €5 million for Mali; €10 million for Benin; and, €5 million for Chad. Beyond the 4 proponents, the EC provided information on the re-programming of uncommitted Stabex funds to support Cotton projects in Senegal, Cote d'Ivoire and Togo. Beyond these financial commitments in support of national cotton-specific programmes, the EC also provided information to show that it was supporting other areas of the national economy and related drivers of competitiveness. And in this broader context, the EC had allocated new additional resources for the proponents namely: €18 million for Benin; €5 million for Burkina Faso; €0 million for Mali. And even more, the EC clarified that it had now switched the budget heading for "unforeseen expenditure" funds so that these were now programmable by individual country. As a direct result, €2 million was now specifically allocated to Benin; €0 million to Burkina Faso; €30 million to Mali; and, €5 million to Chad. The EC finally, reported that it was

developing the regional dimension of the "EU-Africa Cotton Partnership" in three ways namely: through support for regional activity on the regulatory environment affecting the cotton sector; the EC regional programme for West Africa encompassing trade facilitation on customs; and, through support for "cotton instrument classing" for a higher international recognition of the quality of African cotton. This "regional dimension" was also prominent in the EC/ACP negotiations on Economic Partnership Agreements (EPAs).

Germany, in complement to the statement by the EC, informed participants about the centrality of donor harmonization in the activities of the EC, an area where Germany was, *inter alia*, contributing through coordination the "Global Donor Platform for Rural Development". Under this 24-donor country platform, four pilot countries were the target of donor coordination efforts, Burkina Faso had been identified as a pilot country. Chad and Mali would follow shortly. Germany was pursuing and implementing sustainable projects on textiles and clothing, linked to cotton. Germany underlined, in particular, collective support by the European Communities to the Cotton Proponent countries for fiscal support and institutional development.

Japan announced new opportunities within its development co-operation framework under the TICAD process. Japan informed participants about Prime Minister Koizumi's announcement at the Asia-Africa Summit, in Indonesia, 22-23 April, that assistance to Africa would be doubled in the next three years, with grant assistance as the central element. Japan invited cotton proponents to submit cotton-sector projects immediately, as this was the start of the 2005 Fiscal Year for Japan.

Canada provided information on the quantum of its development assistance on the basis of country-established priorities. Canada confirmed its continuing preference and the rationality of providing assistance through coordinated programmes such as the Integrated Framework for Trade-

Related Technical Assistance to the Least-Developed Countries (IF) and the JTTAP, Canada reported that since the last Informal Consultations in November, Canada has set-aside more funds for the J1TAP and the Integrated Framework. Priorities should be expressed through PRSPs or other development plans. This was the best way to ensure maximum value for money and donor coordination. This was how Canada's considerable Overseas Development Assistance to Africa is managed. Canada also announced its Initiative on, "The Africa Trade Policy Centre of the Economic Commission for Africa". This was established and was functioning with Canada's support. It was focused on research and enhancing negotiating capacity for African Trade Negotiators. It was available as a resource to the Cotton Proponents.

The United States reported comprehensively on programmes, projects and activities completed, underway, and planned. These are directly linked to cotton-specific financial and technical assistance, and also set within the broader framework of development assistance and co-operation. They had positive linkages to the cotton sector. There were several aspects to the information provided by the United States. The starting point was the opportunities existing under the MCC. Proponents were informed that the Millennium Challenge Corporation (MCC) presented an important avenue for grant-funded development assistance for eligible countries, which could also directly assist the cotton sector. However, it was pointed out that the provision of specific types of assistance under the MCC, ultimately depended on priorities set by countries themselves. To illustrate the basis for considering the direction of assistance, the United States noted, for instance, that Benin had submitted a project proposal valued at US\$ 198 million, over 4 years, which would be the basis for discussions. The proposal focused on increasing regional and international market access for Benin's agricultural products, although not specifically targeted at cotton. Similarly, Mali had submitted a project proposal valued at US\$ 212 million, over 5 years, which

would be the basis for discussions. Although not directly focused on cotton, the proposal was focused on agribusiness products like rice and mangos, but which should have positive knock-on effects for cotton. Senegal had submitted a proposal valued at US\$ 251 trillion, over 4 years, which would be the basis for discussions. The proposal was largely focused on constructing primary roads at site and utility infrastructure. Burkina Faso, a threshold country under the MCC, had submitted a project proposal valued at US\$ 12 million focused exclusively on policy reforms to promote female education. Thereafter, the United States reported on the West Africa Cotton Development Program. US\$ 29 million had been expended by USAID on agricultural programs in FY 2004 in West Africa and \$126 million for all of Africa. In response to the Sectoral Initiative on Cotton, USAID was designing a development assistance package for the region focused exclusively on cotton. This Package would be launched in June 2005. USAID was working in partnership with other donors to ensure that the program was part of a multilateral approach. The 15 areas covered in the design arc elaborated in the report by the United States, and resulted from an assessment visit to the 4 Cotton Proponent countries. In the near term, within the next 1 to 2 months, USAID would intervene in 6 areas elaborated in the US report. These range from strengthening private agricultural organizations, to linking US and West Africa Agricultural Research Organizations., arresting soil erosion and degradation, expanding the use of good agricultural practices in cotton farming, establishing a West African Ginning School, and improving cotton quality through better seed cotton grading and classing. The US also reported on exchange programmes for capacity building., organization of specialized conferences and training, particularly in the areas of biotechnology, biosafety, and entomology. Detailed information was provided on the US "Initiative to End Hunger in Africa" Programme, on which US\$ 45 million had been expended in Fiscal Year 2004. Other on-going activities were reiterated.

Second, multilateral agencies namely, the FAO, UNIDO, ITC and the IMF detailed their contributions. They provided meaningful and substantive progress reports on earlier announced programmes, projects and activities underway and planned. These reflected further developments.

- FAO underlined various areas of its work on cotton, drawing attention to its submitted proposals for a "Regional Programme on Textiles and Competitiveness". And also to its proposals on cotton competitiveness and sustainability in selected African Countries.

- UNIDO reported on its contributions to support national and regional strategies to build up new policies and institutions to acquire necessary technology to strengthen the chain integration processes needed to obtain more value-added for cotton producers. UNIDO announced the launch, in the week of 18 April, in Ouagadougou, of a new Programme: "Development of the Cotton, Textiles and Garment Value Chains and Networks in Africa: Supporting Trade and Building Productive Capacity". The purpose of the UNIDO programme is to enable the selected African countries improve the volume of raw cotton processed inside Africa to at least 25% of the level of the volume of production of cotton fiber. UNIDO invited agencies and donors to join in its efforts.

- TTC made a case for a sales, marketing and promotion component for cotton project proposals by both donors and agencies. ITC's technical assistance is demand-driven.

- Notably, the IMF informed participants about its forthcoming Cotton Seminar to assess the macroeconomic consequences of cotton price developments for the region, particularly for the main cotton-producing countries, and also to consider concrete steps that would safeguard progress in the region towards achieving the Millennium Development Goals (MDGs). The objective would be to preserve macroeconomic and fiscal stability during a period of very low cotton prices. The Seminar would take place in

Cotonou, on 15 May. It would be attended by Mr. de Rato, the Fund's Managing Director, the Finance, Agriculture and Trade Ministers of the Cotton Proponents, cotton farmers, producers and representatives from the industrial countries, and the WTO. Participants at the Informal Consultations, and Benin, speaking for the proponents welcomed and acknowledged the timely necessity for the imminent seminar.

Third, Benin, on behalf of the proponents, expressed optimism with the information provided on the implementation of programmes, projects and activities underway, and the information also provided on enhanced opportunities by bilateral donors and agencies. They expressed the hope that future developments would maintain this positive turn. The proponents acknowledged that they had responsibilities of their own to implement. They remained committed to their responsibilities. However, they appealed to participants to bear in mind their critical dependence on the cotton sector, its relationship to their overall macroeconomic performance and their poverty reduction efforts. Account needed to be taken of the fact that the cotton sector was undergoing a crisis.

Benin informed participants that they had submitted project proposals on cotton, Burkina Faso and Mali indicated that they would soon submit their project proposals. Uganda expressed the hope that the emerging benefits and opportunities would also cover and apply to other African countries that produce and trade cotton, beyond the 4 proponents. Mali requested that the development and financial assistance from the Islamic Development Bank should be acknowledged in subsequent reports,

Finally, participants at the consultations acknowledged the progress on coordination of efforts. Nonetheless, it was recognized that this was an area that required continuous work and further improvements.

6. Further reports will focus on the actual implementation of the many projects and programmes that are actively underway.

7. Participants agreed to convene the next - 4th Round - of Informal Consultations in July, on a specific date that is yet to be fixed.

Editorial

Helene Bank
SEATINI

The *Third Meeting of the WTO Sub-Committee on Cotton* is the main reason for this extra issue of the SEATINI Bulletin. This is an example on the big cotton subsidizers and world market distorters attempting to influence policies of governments in developing countries. The changes in policies demanded by millions of poor cotton growers in the South are now sidelined with promises of aid.

The WTO secretariat reports on *The Third Round of Informal Consultations on the Development Assistance of Cotton*. These consultations have now become an occasion for the US and the EU, to lure developing country counterparts in the trade negotiations with prospects of aid. While the US keep open for negotiations proposals for \$ 12 to Burkina Faso, 212 \$ over 5 years to Mali, 198 \$ over 4 years to Benin and 251 \$ to Senegal , the EU has up front promised €165 to Burkina Faso, €95 to Mali, €80 to Benin and €10 to Chad.

It is almost certain that the big donors know that these commitments - may influence the demandeurs of the elimination of cotton subsidies

In international trade negotiations the link to aid has now become an open instrument to try to buy developing countries out of resistance in trade negotiations. It has for long been a strategy hidden under programmes in the international financial institutions, technical assistance (TA), the Integrated Framework etc, as argued in SEATINI Bulletin 6.5.

It was never outspoken in the TA programmes. However, the technical assistance has always been a means to support weak developing countries with assistance to comply with the rules, NOT to assist them to identify how the rules could be developed to support their industrial, employment and development strategies.

The Nordic Africa Initiative, held in Dar es Salaam in January 2005 (SEATINI Bulletin 8.2) was an example on how Aid now openly are channelled to initiatives that can assist the donors influence over developing countries positions on areas of their (Nordic) interest. The Nordic Aid agencies invited the trade and finance ministers from the African countries they provide budget support, to discuss matters of interest to them (i.e. the Nordics, as they had set the Agenda). The invited countries from Africa were not linked to relevant groupings such as SADC, EAC, or COMESA but rather countries that were NORDIC aid recipients. The summary of the meeting was pre-written in Copenhagen, and there was no access to influence the text at the final session by the African ministers present. Unfortunately most of the African ministers shook their heads, and as a diplomat stated: *The Nordic Paternalism has betrayed itself*.

However, the strategy to link trade and aid now exercised by OECD countries indicate far more than *paternalism*. At the Nordic meeting in Dar es Salaam, the World Bank Vice President Danny Leipziger stated: *It is difficult to separate trade from aid and finance*. The World Bank conditionalities and PRSPs contain trade strategies as a prerequisite for any aid and any debt relief. The Zambian Minister Hon. Dipak Patel made the observation that the PRSPs are no different from the Structural Adjustment Programmes of the 1980-90s, with a one size fits all strategy that suits the interests of the donors rather than of African countries.

For the cotton sector, this is what Machedmedze reminds us. He explains, on the basis of SEATINI's on-going research among cotton producing families in Zambezi Valley, the consequences of the structural adjustments loans from the SAPs to the PRSPs so strongly promoted by donors. Machedmedze goes on to say that *"The big powers change tactics. They were hit by the demand for "Justice" in Cancun. Now they try other possibilities like diverting our negotiators minds into thinking about Aid – short sighted dependency thinking in stead of structural reform and justice"*.

The problem is NOT an emergency fund, as the West African countries themselves request. They ask for short-term relief due to the unbearable effects on their peoples of the support and subsidies that Cargill, Monsanto and western cotton producers receive. They ask for it as a transition measure until the effects of subsidies etc. in the North are removed. However, if African countries do not keep the issue of emergency fund and aid from the long-term benefits of sustaining the demands for the removal of cotton subsidies and structural adjustment in the North, they will have lost the momentum they gained in Cancun.

It may be that the West African countries underestimate their vulnerability and ability to keep the two issues apart. Therefore, as Machedmedze stated, to support the cotton farmers of the developing world, all trade campaigners should unite under the demand that aid for addressing the cotton crisis be provided only on conditions set by cotton producing developing countries in Africa themselves and not linked to trade policies as an element of bargaining."

The aid strategy may not only distract focus and thereby delay the speed with which subsidies can be reduced and eliminated. I may also influence the African negotiators and peoples, and it may divide Africa, as Chizarura points out.

The western trade and industry policies are causing de-industrialization in Africa. In line with the principle of comparative advantage, the effect of what the international financial institutions and the donor's preach is that African economies remain mere raw material producers.

Many Africans who still remember the colonial system of trade and production, will recall the effects of the policies that guided the colonial powers: That all Negroes shall be prohibited from weaving either Linen or Woollen, or spinning or combing of Wool, or working at any Manufacture of Iron, further than making it into Pig or Bar iron: That they be also prohibited from manufacturing of Hats, Stockings, or Leather of any Kind ... Indeed, if they set up Manufactures, and the Government afterwards shall be under a Necessity of stopping their Progress, we must not expect that it will be done with the same Ease that now it may"(Joshua Gee, Trade and Navigation of Great Britain Considered, London 1729)

What Machedmedze suggests, is that the issue of value added, spinning, weaving, textiles and clothing should be kept in mind when African countries develop strategies for their negotiations in the WTO. Though, it is of utmost importance NOT to mix up the right to value added with the clear demand of the abolishment of cotton subsidies, but to keep it in mind when negotiating Non Agricultural Market Access (NAMA) and Rules of Origin.

Development has always started from the development of local and national markets. However, the historical method to ensure that the colonies did not manufacture was described in an essay in 1744 by M. Decker in Dublin: What to do to take the colonies` mind off establishing manufacturing industries? Give them free trade in agricultural products! Because People in the Plantations, being tempted with a free Market for their Growths all over Europe, will all betake themselves to raise them, to answer the prodigious Demand of the extensive Free Trade, and their heads be quite taken off from

manufactures, the only thing which our interests can clash with theirs”.

History not only repeats itself in the WTO, it reinvents itself. The fraud by the EU, the US and other donors, is in reality exposed by the French independent expert, Louis Goreux. He explains not only the long term benefits of the removal of subsidies, even to the US and the EU, but also that any of the suggested compensations mechanisms are unlikely to succeed. He prescribes how the African countries could protect themselves against diversion measures through local processing of fibres, regulate market, and maintain minimum prices.

In this perspective, the reestablishment of national and even development of regional cotton trading entities would benefit both farmers and the export earnings. Today's marketing system is by large a

monopsony, dominated by the big cotton companies. The bargaining power of cotton producers needs to be strengthened.

The case against a large proportion of the US cotton subsidies is won through the dispute by Brazil and two of the West African states. It is not anymore an issue for negotiations or barter. The aid offered to the four cotton producing states is most likely aimed at silencing them and circumventing the DSU ruling. Africa - united - should therefore sustain the original demands of the abolishment of cotton subsidies. It is a plus, and should be appreciated that the West African countries receive increased development aid but not at the cost of giving up development choices and policy space to diversify.

Editor: Chandrakant Patel

Co-Editors: Rangarirai Machedmedze, Jean Kanengoni

Editorial Board: Chandrakant Patel, Jane Nalunga, Riaz Tayob, Helene Bank and Yash Tandon

For more information and subscriptions, contact SEATINI, 20 Victoria Drive, Newlands, Harare, Zimbabwe, Tel: +263 4 792681, Ext. 255 & 341, Tel/Fax: +263 4 251648, Fax: +263 4 788078, email: seatini.zw@undp.org, Website: www.seatini.org

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