

US AND EU COTTON
PRODUCTION AND EXPORT
POLICIES AND THEIR IMPACT ON
WEST AND CENTRAL AFRICA:

COMING TO GRIPS WITH
INTERNATIONAL HUMAN RIGHTS
OBLIGATIONS

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In recent years, world cotton prices have declined significantly. Small-scale cotton farmers in West and Central Africa, whose livelihoods depend on cotton, have borne the brunt of this decline.

The main factors causing the drop in prices are the cotton production and export policies of the United States (US) and the European Union (EU). These policies sit uncomfortably with the letter and spirit of World Trade Organization (WTO) rules, as recently confirmed by the WTO Dispute Settlement Body in relation to some US cotton subsidies. It is less well known that these policies

are also contrary to the letter and spirit of international human rights law.

This Policy Brief provides an overview of the impact of US and EU cotton production and export policies on the lives of farmers in West and Central African countries. It discusses how efforts by African countries to implement their international human rights commitments are undermined by these policies, and recommends that human rights should be used more proactively by developing countries and human rights and development advocates as part of advocacy and reform strategies.

The Promise of Cotton Production for Livelihoods in Africa

West and Central African (WCA) cotton producers are among the lowest cost producers in the world. According to figures from 2001, in Benin and Mali it costs 21 US cents per kilogram to produce one hectare of cotton. In Burkina Faso the cost is 22 cents per kilogram, in contrast to the US where it costs 68 cents per kilogram.¹

WCA cotton producing countries are amongst the world's poorest nations: the UN's Human Development Index rates Burkina Faso and Mali as the 3rd and 4th poorest countries in the world. Cotton is a boon for them: between 1990 and 1997, cotton production and exports enabled WCA farmers to improve their standard of living. In Burkina Faso, for instance, cotton production increased by 175% between 1993 and 1998, which in turn increased incomes. As a result the incidence of poverty fell from 50% to 42% in cotton growing areas. Meanwhile poverty levels increased by 2% in areas where no cotton was grown.²

'...cotton here is everything. It built our schools and our health clinics. We all depend on cotton. But if prices stay low we have no hope for the future.'

Farmer from Logokourani Village, cited in Oxfam, 2002

A recent study by the Food and Agriculture Organization of the UN (FAO) showed that for small farms, cotton is an important cash crop that enables individuals, families and communities to acquire a variety of nutritious foods, health care and other basic

services. In Malawi, rural households planting cotton rely almost solely on the crop for their cash income, which is used for buying bread, milk and meat for family consumption.³ In the north of Benin, cotton is virtually the only source of cash income for 100,000 households and generates half the total household wealth.⁴ These households have little opportunity to diversify into other crops because they are located in the north, which has low agricultural potential.

A World Health Organization (WHO) study in Burkina Faso reported that cotton production triggers improvements in health. In particular, those farmers who rotated cotton and maize consistently produced better yields than those growing a single crop, in particular niébe, and this resulted in better diets, which improved health.⁵

The Crisis of Cotton

Cotton prices started falling in the mid-1990s. Between 1997 and 2002, the average world market price for cotton declined by 40% to 42 cents per pound. Whilst there was a marginal recovery in 2003/04 to 65 cents per pound due to poor climatic conditions in China, prices are expected to drop sharply again in 2004/05, by 12 cents, to 53 cents per pound.⁶

Numerous causes underlie the drastic fall in cotton prices since 1997. One major factor is overproduction due to the deregulation of US cotton markets. In 1995 the US deregulated its cotton sector by removing the supply management programs that previously helped balance supply with demand. This led to a massive expansion in production levels, which reduced global prices. In 1996, instead of reintroducing supply management programs, the US government enacted the Farm Bill which provided for direct payments to

compensate farmers for low market prices.⁷ These subsidies allow farmers to continue over-producing so that, despite their high cost of cotton production, the US is the largest exporter and second largest producer of cotton worldwide.

The combined total subsidies paid to farmers in the US and EU amounted to US\$4 billion in 2001.⁸ According to the Environmental Working Group, a total of US\$1.68 billion in subsidies were paid to 285 US cotton exporters and millers between 1995 and 2002. Payments were highly concentrated amongst only a dozen firms such as Cargill which received over \$87 million. Together, subsidies to these firms accounted for half the total payments, or \$843.9 million.⁹

The EU is not as large a producer. It is responsible for only 2.5% of world production (concentrated mainly in Greece) but its subsidies to farmers in Spain and in Greece are extremely high: they amount to 180% and 160% of world prices respectively.¹⁰

Other causes of low prices include the declining demand for cotton due to increased competition from synthetic fibers, higher productivity levels due, for example, to new technologies and increased use of genetically engineered varieties of cotton, and slow world economic growth.

China, as the world's leading major cotton producer, can have a strong influence on world cotton prices. China has committed to reduce subsidies to its cotton sector in the context of its WTO accession. This Policy Brief focuses solely on the effects of US and EU cotton production and export policies and their impact on livelihoods and human rights in WCA.

Impact on African Countries

A growing number of studies show that drops in world cotton prices are contributing to loss of revenue in WCA, which in turn harms livelihoods in the region. In Burkina Faso, for example, although exports have increased by almost 50% since 1994, the government's revenue earnings from cotton over the same period was US\$60 million less. The incidence of poverty in rural areas now stands at 51%, with malnutrition levels particularly high among women and children. It should also be noted that in 2001, when US cotton export prices were 54 cents per pound below the cost of production, Burkina Faso lost 1% of Gross Domestic Product (GDP) and 12% of export earnings, Mali lost 1.7% of GDP and 8% of export earnings and Benin lost 1.4% of GDP and 9% of export earnings.¹¹

Research commissioned by the International Food Policy Research Institute (IFPRI) demonstrated the

impact of the decline in world cotton prices on small-scale farmers in Benin. Its study found that a 40% reduction in the farm-gate price of cotton reduced the income of cotton growers by 21% and raised the incidence of poverty from 37% to 59%. In absolute terms, the 40% price drop meant that 334,000 people fell below the poverty line.¹² In WCA as a whole, the decline in world cotton prices caused direct losses estimated at \$250 million and indirect losses estimated at a further \$1 billion.¹³

More importantly, overproduction leads to wide-scale export-dumping. Cotton dumping has been a serious issue since 1997, and the US is the largest source of dumped agricultural commodities. Between 1997 and 2002 US cotton went from being dumped at an average price of 17% below the cost of production to being dumped at an average price of 61% below the cost of production.¹⁴

Top Cotton Exporters

- | | |
|---------------|-------------------|
| 1. USA | 5. Brazil |
| 2. Zone CFA | 6. European Union |
| 3. Uzbekistan | 7. Syria |
| 4. Australia | 8. China |

Top Cotton Producers

- | | |
|-------------|--------------------|
| 1. China | 6. Uzbekistan |
| 2. USA | 7. Brazil |
| 3. India | 8. Turkey |
| 4. Pakistan | 9. Australia |
| 5. Zone CFA | 10. European Union |

Source: ICAC, 2004

To prevent a collapse of their cotton sectors, WCA governments have been forced to divert limited financial resources away from other critical areas such as education, delivery of health services and development of rural infrastructure.¹⁵ Access to food is also threatened by low cotton prices because many WCA countries rely on export revenue from cotton to purchase food imports. This is particularly important for countries such as Togo, Benin, Chad, Burkina Faso and Mali where the export revenue of cotton accounts for more than 10% of total national export revenue.¹⁶

Cotton Policies and International Trade Rules

Cotton production and trade is covered by WTO rules, particularly those contained in the Agreement on Agriculture (AoA). The cotton production and export policies of the US and the EU are contrary to the spirit and the letter of WTO law in a number of ways. One is their prima facie inconsistency with the AoA which seeks "to establish a fair and market-oriented agricultural trading system" by providing "for substantial progressive reductions in agricultural support and protection (...) resulting in correcting and preventing restrictions and distortions in world agricultural markets."

Also, by preventing improvements in living standards, they go against the objectives stated in the Agreement establishing the WTO, which specifies that trade is to be conducted "with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand."

The WTO's Dispute Settlement Body (DSB) has recently reviewed the charge that US cotton subsidies violate international trade rules. Brazil, which brought this dispute to the WTO, contended that US exports would have declined about 40%, and world cotton prices would have increased by 12.6%, in the absence of US subsidies.¹⁷ The WTO DSB has ruled that some of the US subsidies violate WTO rules.¹⁸

Cotton Policies and International Human Rights Obligations

Few analyses of the impacts of current US cotton production and export policies have included reflection on how these policies affect human rights. Nor

has there been much exploration of how human rights principles might be used as additional arguments in seeking reform of US cotton policies. Yet human rights hold potential as a basis for negotiations and advocacy for fairer international agricultural policies.

Relevant Human Rights Obligations

International human rights law imposes requirements on all States. All States have ratified at least one of the main human rights treaties which include the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the Convention on the Rights of the Child (CRC).¹⁹ These treaties all contain provisions relevant to the impacts of the way cotton is produced and traded today.

Under the ICCPR for instance, which the US and all the countries of WCA have ratified, States must respect and ensure the right to life by taking positive measures, for example, to reduce infant mortality and to increase life expectancy, especially by adopting measures to eliminate malnutrition and epidemics.²⁰ The CRC—which has been ratified by all States in the world except two—contains similar obligations. Related to the right to life is the right to food set out in the ICESCR and recognized in the CRC, and the right to health set out in the ICESCR and the CRC.

Whilst rights such as those to food and to health do not oblige States to ensure that all their citizens are healthy, or to provide food to everyone, they do require that States move as expeditiously as possible towards guaranteeing these rights. In other words, States are required to take steps towards implementing human rights, and to avoid backward movement (retrogression) from progressive realization of those rights.

The right to food is also protected by a number of international and regional human rights treaties, including the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and the Convention on the Elimination of Racial Discrimination (CERD).

A detailed guide to what the right to food requires of States, non-State actors and the international community is discussed in the General Comment on the Right to Food adopted by the UN Committee on Economic, Social and Cultural Rights in 1999, available on the web at:

<www.cesr.org/ESCR/gencomment12.htm>

States must also comply immediately with the human rights obligation to prevent discrimination of any kind, (including on grounds of race, sex, religion or political opinion). It is also important to note that the situation of the most vulnerable and disadvantaged members of society is a principal concern under international human rights law.

The primary human rights obligation of each State is to respect, protect and fulfill the rights of its own people. National governments are in the best position to establish systems of law and regulatory frameworks that will protect rights effectively. Given the importance of cotton to livelihoods, health and nutrition in WCA, governments in the region have a particular responsibility to address human rights problems that are caused by price declines. WCA governments have undertaken a number of initiatives in this regard. One is the submission to the WTO, by Benin, Burkina Faso, Chad and Mali, of a proposal entitled *Poverty Reduction: Sectoral Initiative in Favour of Cotton*. The initiative attempts to find a solution to chronically low cotton prices.²¹ Another is that WCA countries have embarked on World Bank and International Monetary Fund reform programs to improve the competitiveness of their cotton sectors.

While the primary human rights duties fall on the State in which a person lives, obligations also fall on other actors, including foreign States and international organizations.

The United Nations Charter, for example, requires UN members to take "joint and separate action" to respect human rights and promote higher standards of living. The Universal Declaration of Human Rights (UDHR) says that "through national effort and international cooperation" states have the duty to respect rights indispensable to human dignity including the right to a standard of living adequate for health and well-being. The UDHR also affirms that "everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized."

The 148 States which have ratified the ICESCR have agreed to "take steps individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources," to achieve the realization of the rights set out in the ICESCR.²² Similarly, the CRC requires that State parties take steps "to the extent of their available resources (...), within the framework of international cooperation" in order to realize economic, social and cultural rights.

The most recent international affirmation of the need for greater international assistance and cooperation is the UN Millennium Declaration and Millennium Development Goals (MDGs), in which all

States of the world emphasize their commitment to combat poverty, hunger and disease for all people. They recognize the "collective responsibility to uphold the principles of human dignity, equality and equity," which is a duty of leaders "to all the world's people, especially the most vulnerable."

How International Human Rights Obligations Apply to the Cotton Issue

As this Brief has already noted, there are high levels of malnutrition and poverty in WCA. US and EU cotton policies were a major factor in triggering the decline in world cotton prices that has occurred since 1997. This decline has contributed materially to the sharp decline in the revenue to WCA farmers and governments, which in turn has damaged livelihoods and increased poverty levels in WCA.

By implementing cotton production and export policies that caused world cotton prices to fall, the US and the EU are undermining national efforts by WCA countries to protect the rights to life, to adequate food and to the highest attainable standard of health, and contributing to retrogression from achieving protection of these rights. In this sense, US and EU cotton policies are inconsistent with international human rights obligations.²³

It should be noted that the US and the EU provide international aid to WCA countries.²⁴ In 2001, for example, US assistance amounted to \$US37.7 million for Mali and \$16 million for Benin. At the same time, however, due in large part to its price-depressing production and export policies relating to cotton, the US contributed to losses in export revenue of \$43 million that year to Mali and \$33 million to Benin, with the consequent harm for livelihoods.²⁵

As indicated earlier, US cotton production and export is dominated by large agribusiness. These companies are able to, and do, dump their produce abroad.²⁶ By flooding WCA markets with cheap cotton, US agribusiness contributes to depressing prices and undermining the market share for small scale farmers in WCA. This reduces the income both of WCA farmers and governments - income that is vital to food security and health care and to protecting the right to life.

Under human rights law, a State must ensure that third parties over which it has effective control, including corporations and international organizations, do not knowingly or unknowingly contribute to human rights abuses. The UN Committee on Economic, Social and Cultural Rights, responsible for supervising implementation of the ICESCR has, in its interpretation of the right to health, called on States to "prevent third parties from violating the right [to health] in

other countries if they are able to influence these third parties by way of legal or other means."²⁷ From this perspective it can be argued that the failure of the US to regulate the harmful practices of large agribusinesses undermines access to food and health of vulnerable people, (in this case, WCA small-scale farmers) and that this violates international human rights principles. This is the case even though the US has not ratified the ICESCR; as a signatory to the treaty, the US government is obliged to refrain from acts which would defeat the object and purpose of the ICESCR.

International human rights law in this area is still developing and requires further exploration. However given the legal enunciation of obligations in this regard and the facts at issue, a strong argument can be made that the US and the EU are not in compliance with their international human rights obligations, and are undermining the ability of WCA countries to comply with their legal obligations to their own people.

Conclusion and Recommendations

Cotton production in WCA can enable farmers to earn a livelihood, including access to food and health. But low cotton prices in recent years have increased poverty levels in WCA, making it more difficult for WCA governments to fulfill their human rights obligations to their own people and making enjoyment of human rights more of a distant prospect for hundreds of thousands of African farmers and their families.

Eliminating US and EU trade-distorting subsidies on cotton would reduce production in the US and the EU in the short term. Cotton prices would likely increase, and WCA producers could enjoy improved market access, with consequent significant welfare benefits.

However, this would not in itself guarantee lasting changes because the issue of over-production and dumping would remain. Elimination of subsidies needs to be accompanied by longer-term policy changes that manage supply-side problems in cotton producing countries worldwide and mechanisms that guarantee fair and stable prices. The US in particular should implement policies that prohibit harmful practices by large agribusinesses that dominate cotton markets, including export-dumping. Enforcing anti-trust laws would be one such step.

In addition, more attention needs to be given by governments as well as by development and human rights advocates to the inconsistencies between current US and EU cotton policies and international commitments to development cooperation and respect for human rights. Human rights arguments in this area are at an early stage of development but civil society groups and other human rights professionals are increasingly referring to international treaty obligations in their advocacy efforts and seeking to clarify the content and scope of these obligations. Developing country governments might find it useful to use international human rights obligations in defense of their development interests and should test the value of such arguments both within the framework of reporting to UN human rights treaty monitoring bodies and at the WTO.

The primary responsibilities of US and EU governments for the human rights of their own peoples must also be kept in mind. Some small farmers in the US and the EU presently benefit from subsidies, while other taxpayers lose out from the generous subsidies directed to already-rich agribusiness. Any reforms in the US and EU cotton sectors should not discriminate against the poorest sectors of society, and should be mindful of the fact that those affected will need to find other productive livelihoods.

This Policy Brief has been prepared by 3D and EGI based on research carried out by Carin Smaller.

¹ Both figures exclude land rent and seed value. See International Cotton Advisory Committee (ICAC) 2001 <www.icac.org/icac/Meetings/Plenary/60vicfalls/documents/delegates/e_cost_prod.pdf>

² Louis Goreux, *Cotton Production in Africa vis-à-vis US and EU Subsidies: prelude to the Cancun negotiations*, 2003, p. 3.

³ Paola Fortucci, *The Contributions of Cotton to Economy and Food Security in Developing Countries*, FAO, 2000.

⁴ Oxfam, *Cultivating Poverty: The Impact of US Cotton Subsidies on Africa*, Oxfam Briefing Paper, 2002, p. 20.

⁵ Louis Goreux, p. 3.

⁶ ICAC, *Cotton Prices Heading Lower*, Press Release, December 2003.

⁷ Daryll Ray et al., Agricultural Policy Analysis Center, *Rethinking US Agricultural Policy: changing course to secure farmer livelihoods worldwide*, 2003.

⁸ Louis Goreux, p. 4.

⁹ Environmental Working Group Farm Subsidies Database <www.ewg.org/farm/step2index.php>

¹⁰ WTO, *Joint Proposal by Benin, Burkina Faso, Chad and Mali, Poverty Reduction: Sectoral Initiative in Favour of Cotton*, TN/AG/GEN/4, May 2003.

¹¹ Oxfam, p. 17.

¹² Oxfam, p. 26.

¹³ Louis Goreux, p. 3.

¹⁴ Institute for Agriculture and Trade Policy (IATP), *United States Dumping on World Agricultural Markets*, WTO Cancun Series Paper No.1, 2004.

¹⁵ Oxfam, p. 19.

¹⁶ Paola Fortucci, p. 4.

¹⁷ WTO, *United States — Subsidies on upland Cotton, Request for Consultations by Brazil*, DS267/1, 3 October 2002, <<http://docsonline.wto.org>>

¹⁸ At the time this Brief was published, the full details of the DSB's reasoning and decision were not publicly known. The full decision will be available from 18 June 2004, on the WTO website, <www.wto.org/english/tratop_e/dispu_e/dispu_e.htm#news>

¹⁹ Although the US has not ratified the CESC and the CRC, it has signed both treaties and is therefore bound by international law to refrain from acts which would defeat their object and purpose.

²⁰ ICCPR, *General Comment No.6 (1982), The Right to Life (Article 6 ICCPR)* <www.unhchr.ch/html/menu3/b/a_ccpr.htm>

²¹ The proposal calls for a mechanism to phase out support for cotton production and a transitional measure in the form of financial compensation for cotton-producing LDCs to offset their loss of revenue. See WTO, *Joint Proposal*, supra note 10.

²² The ICESCR's requirement that a State party take steps "to the maximum of its available resources" refers both to the resources available within a State and those available from the international community through international cooperation and assistance. The ICESCR also stipulates that "international cooperation for development and thus for the realization of economic, social and cultural rights is an obligation of all States," particularly "those States in a position to assist others." See ICESCR, *General Comment No. 3 (1990), The Nature of States Parties' Obligations*, <www.unhchr.ch/html/menu3/b/a_ceschr.htm>

²³ Even countries that have not ratified the relevant treaties have an obligation not to prevent other countries from fulfilling their human rights obligations.

²⁴ IATP.

²⁵ Oxfam, p. 17.

²⁶ IATP.

²⁷ ICESCR, *General Comment No. 14 (2000), The Right to the Highest Attainable Standard of Health*, <www.unhchr.ch/html/menu3/b/a_ceschr.htm>



Maison des Associations
Rue des Savoises 15
1205 Genève
Switzerland
www.3dthree.org

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THE ETHICAL GLOBALIZATION INITIATIVE

271 MADISON AVENUE, SUITE 605
NEW YORK, NY 10016
USA
TEL: + 1.212.895.8082
FAX: + 1.212.895.8084
www.eginitiative.org

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