The US and EU cotton subsidies from 1995 to 2014

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Cotton is a very crucial trade issue in DCs, and particularly in the C4 African exporting countries because, despite that the WTO General Council of 1 August 2004 decided already "*to address cotton ambitiously, expeditiously and specifically, within the agriculture negotiations in relation to all trade-distorting policies affecting the sector in all three pillars of market access, domestic support and export competition*" the same mantra has been repeated again and again ever since. Worst, Brazil, who was the only DC to sue the US on this issue in 2002 and again in 2006, eventually sold his soul for a mess of pottage, after concluding a first agreement in August 2010 by which it received from the US an annual subsidy of $147 million (M) and again in October 2014 when it received $300 M for balance of all accounts, i.e. it committted to not sue again the US on cotton whatever the new Farm Bill impact. In short Brazil has joined the US to subsidize their cotton producers, thus suppressing together the world price, to the detriment of all DCs producers, and particularly of the C4 African countries.

On the other hand the EU claims to be the good guy in the cotton world as its cotton imports are duty free from the whole world and as it has never used export subsidies. We will show that, even if the EU share of total US+EU production of cotton has been of 14.2% on average from 1995 to 2014, its share of their total export subsidies has reached 40.4%, 2.8 times more and in 1995-00 and 2014 the 50.4% and 50.6% EU shares exceeded those of the US !

<u>I – The US domestic subsidies and dumping rate on cotton exports</u>

The following tables 1 and 2 present the data required to assess the US dumping on cotton: level and value of production, detailed domestic subsidies managed mainly by the CCC (Commodity Credit Corporation) and the Risk Management Agency (RMA) – some data are also available on the OECD site –, and finally import and export volumes and values and dumping rates.

We take into account all supports[1], even those notified to the WTO as *de minimis*: the amber box or coupled supports or AMS (aggregate measurement of support) of each specific product is not taken into account in the AMS when the subsidy is lower then 5% of the production value of the product. Precisely the notifications to the WTO or to OECD do not show the decoupled subsidies – production flexibility contract payments (PFCP), market loss assistance payments (MLAP) and fixed direct payment (FDP) – per product, which are notified for all products together in the green box, and the same for countercyclical payments which were notified in the non-product-specific AMS. Happily the CCC gives the value of these decoupled payments per product as well of for the countercyclical payments. We have added

[1] The concept of support is broader than that of subsidy: beyond the subsidies which imply always public expenditures (financed by taxpayers), the AoA and OECD take also into account the "market price support" "financed" by consumers and which represents the gap between domestic farm prices and world prices at farm gate, considering that consumers (or agricultural industries) are entitled to buy their food (and other agricultural products) at world prices, that import duties prevent them to do.

the full subsidies to crop insurance and not only the premium subsidies and also the irrigation subsidies, the calculation of which is explained in another parallel paper[2].

The subsidies per calendar year correspond to those of crop year or marketing year that we are using. For example marketing year 2012/13 notified to the WTO or presented by OECD is attributed to calendar year 2012 but the US data (of USDA) per budgetary (or fiscal) year 2012/13 (1 October-30 September) are attributed to calendar year 2013. Hence data of fiscal year T correspond to data of the previous marketing or crop year T-1.

Table 1 – US domestic subsidies, trade and dumping rate on cotton: 1995-2014

$ million	1995/00	2001/04	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Production level, value and farm price (from OECD)												
Prod 1000 t	3763	4301	5201	4700	4182	2790	2654	3941	3391	3770	2811	3570
Prod val $M	5191	4317	5699	5015	5633	30453	379184	73512	6989	6291	5112	6178
Farm price $/t	1379	1004	1096	1067	1347	1091	1429	1865	2061	1669	1819	1731
Commodity Credit Corporation subsidies												
PFCP	600	108										
FDP		426,7	575,4	454,5	573,5	596,9	588,9	555,8	464,8	569,5	526,2	
CCP		725,4	1410,4	1281,3	267,2	727,8	889,9	82,6	1,1			
CEG	66,5	1011,7	934,2	1005,8	1,2	884,3	4,2					
LDP	192,6	334,8	250,2	105,7		131,2	4,4			10,3	10,3	103
MLG	187,4	19,9	4,9	6,6								188,1
CLIS	21,9	22,8	9,7	102,8	47	24,4	21,9	19,6	25,2	24,7	9,7	18,8
MLAP	344,4	131,2										500
ACRE										4,3	3,5	65,9
CEAAP STEP2	236,7	353,9	582	397	11	30	74,7	77,1	60,2	49,5	48,4	51,3
Storage	48,2	78,3	139,4	206,1	32	81,7						57
Seed payments	43,9											
Total	1740,6	3081,3	3906,2	3559,8	931,9	2476,3	1584	735,1	551,3	658,3	598,1	984,1
Insurance subsidies and irrigation subsidies												
Insurance subs	272,9	390,3	234,7	365,8	197,1	342,7	230,4	321	1037,1	1079,4	599,8	605,7
Irrigation subs	164,7	133,2	112,5	104	96,3	89	88,5	88,1	87,7	87,2	86,88	86,3
Total and per tonne domestic subsidies												
Total $M	2178,2	3606,6	4253,4	4029,6	1225,3	2908	1902,9	1144,2	1676,1	1824,9	1284,78	1676,1
Subs $/t	578,8	838,5	817,8	857,4	293	1042,3	717	290,3	494,3	484,1	457,1	469,5
Sub/price $/t: %	42	83,5	74,6	80,4	21,8	95,5	50,2	15,6	24	29	25,1	27,1
Cotton imports (code 5201)												
tonnes	50536	7936	6552	6063	3661	1787	83	428	3624	2180	2248	2894
$ 1000	83328	16480	14152	13328	7706	4559	118	1408	15702	6632	6553	9399
Cotton exports (code 5201) and dumping rate												
1000 tonnes	1545,1	1688	3422,8	3534,4	3281,5	3017	2613,3	3057,9	2818,4	2782,7	2844	2190,7
$ M	2433,5	2958,2	3929,4	4514,4	4588,7	4811,9	3365,5	5890,2	8466,3	6252,5	5628,9	4411,1
FOB $/t	1575	1752,5	1148	1277,3	1398,4	1594,9	1287,8	1926,3	3004	2246,9	1979,2	2013,5
Sub to X $M	894,3	1415,4	2799,2	3030,3	961,5	3144,6	1873,7	887,8	1393,1	1347	1299,9	1028,5
Dumping %	36,7	47,8	71,2	67,1	21	65,4	55,7	15,1	16,5	21,5	23,1	23,3

Source: OECD (US PSE table 2015), CCC (http://www.fsa.usda.gov/about-fsa/budget-and-performance-management/budget/commodity-estimates-book-and-reports/index); https://www.fsa.usda.gov/Internet/FSA_File/pb08_book3.pdf; https://www.fsa.usda.gov/Internet/FSA_File/pb08_book4.pdf; J. Berthelot for irrigation subsidies (Time is up for Developing countries to sue the US agricultural domestic subsidies, January 14, 2016)

PFCP: production flexibility contract payment: FDP: fixed direct payment; CCP: countercyclical payment; DP: deficiency payment; MLAP: marketing loss assistance payment; LDP: loan deficiency payment; MLG: marketing loan gains; CEG: certificate exchange gains; CLIS: commodity loan interest subsidy; CEAAP: cotton economic adjustment assistance (previous STEP2)

We see that cotton subsidies have been particularly high from 2001 to 2006, given the high world prices, hence FOB prices, so that the subsidy per tonne was then the highest. With much higher world prices since 2010, the "marketing loans" subsidies linked to the prices level have disappeared and the dumping rate has dropped but exceeded still 23% in 2013 and 2014. On the whole, from 1995 to 2014, $49.4 bn of subsidies have been granted to cotton, of which $28.8 bn to the exported cotton for an annual average or $1.741 bn.

[2] *US agricultural domestic subsidies, farm prices and administered prices equivalents from 1995 to 2014*, Solidarité, 17 February 2016, https://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b/

Five subsidies require specific comments: two eliminated by the 2014 Farm Bill – FDP and CCP –, CEAAP, LDP and the new STAX insurance programme of the 2014 Farm Bill implemented only since October 2015.

The FDP (fixed direct payment), eliminated in the 2014 Farm Bill, was granted since 2002 to US cotton producers on the basis of 85% of their cotton production in a historic base period at $0.0667/lb (1470.5 $/t), even if they were not obliged to grow cotton as it was a decoupled payment.

The CCP (countracyclical payment) supplemented the FDP also since 2002: it was the difference between the target price of $0.7125/lb (1570.8 $/t) for 2008 to 2012 and the US "effective price" which was equal to the FDP plus the higher of the annual national farm price or the national "loan rate" of cotton of $0.052/lb ($1146.4/t). As cotton prices increased in recent years, fewer CCP subsidies were made to US cotton producers.

Table 2 – Details of US cotton subsidies from 1995 to 2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
PFCP	687,3	605,2	641,2	616	574,7	474,7	452,8	-15,8	-2,5	-2,5
FDP								476,5	622,2	608,1
CCP								1263,6	216,8	1421
CEG				2,3	36,4	361,4	1763,1	657,8	159,2	1446,4
LDP			2,8	303,4	684,9	164,2	731,9	202,1	23,3	381,9
MLG			26,3	230,3	814,9	52,7	46,7	11,1	10	11,8
CLIS				35,4	76,6	19,5	25	21,9	19,6	24,7
MLAP				316,2	1225	524,9				
CEAAP STEP2	35	6,4	416,3	280,1	445,6	236,5	182	415,4	455	363
Storage					78,7	184,6				
Seed payments			23,7	78,1	143,9	43,3	62,1	73,4	87,9	89,6
Aid to Georgia cotton				8						
Minus fees	-3	-3	-3	-2,8						
Total	719,3	608,6	1107,3	1867	4080,7	2060,7	3263,5	3126,2	1591,5	4344

The CEAAP (cotton economic adjustment assistance payments, ex-STEP2): despite that the US had argued, during the US cotton proceeding launched by Brazil in 2002, that STEP2 were domestic subsidies, the WTO Appellate Body upheld in March 2005 "*the Panel's findings… that Step 2 payments to domestic users of United States upland cotton… are subsidies contingent on the use of domestic over imported goods that are inconsistent with Articles 3.1(b) and 3.2 of the SCM Agreement… and… that Step 2 payments to exporters of United States upland cotton… are subsidies contingent upon export performance within the meaning of Article 9.1(a) of the Agreement on Agriculture that are inconsistent with Articles 3.3 and 8 of that Agreement and Articles 3.1(a) and 3.2 of the SCM Agreement*". If the cotton user marketing programme or Step 2 had then been terminated by a change in US subsequent law so that expenditures dropped to zero in FY2007, then "*Domestic users received 4 cents for each pound of upland cotton used from August 1, 2008, to July 31, 2012, and 3 cents thereafter… The 2014 Farm Bill… extends EAAP through September 30, 2018… Payments may only be used for capital investments to acquire, construct, install, modernize, develop, convert, or expand land, plant, equipment, facilities or machinery*"[3]. However "*there are two key differences between EAAP and Step 2. EAAP has a set payment rate for consumed upland cotton, regardless of origin. On the other hand, Step 2 used a variable rate to compensate exporters and domestic mill users for purchasing United States upland cotton, which tends to be priced higher than the world cotton market price. In addition, Step 2 payments did not have any restricted uses; the user could use the payments for any purpose*". But the claim that the EAAP benefits imported cotton as well as domestic cotton in almost unfounded given the insignificant level of imports as shown in table 1: 2,894 tonnes in 2014 that is 0.36% of the

[3] http://www.usda.gov/oig/webdocs/03601-0002-22.pdf

about 800,000 tonnes of domestic mills consumption, and these low imports are made under various bilateral import quotas because out-of quota import duties are very high. A report of the USDA Inspector General says that "*the Foreign Service Agency cannot demonstrate that the $337 million spent between August 2008 and July 2013 has stimulated the United States textile industry, or determine to what extent the assistance actually improved the condition of users as they compete in a global market*".

The LDP (loan deficiency payment) amount to the full difference between the world market price for cotton, as adjusted by the USDA – the so-called adjusted world price (AWP) – and the loan rate of $0.52/lb (1146.4 $/t) of cotton whenever the AWP is below that loan rate, which is a price floor. Under the 2014 Farm Bill the loan rate can fluctuate between $0.52/lb and $0.45/lb (992.1 $/t), based on the average AWP over the previous two years. On 21 January 2016 the rate was of $4.99 cts/lb, or $1100.1 $ per tonne[4].

It is the STAX (Stacked Income Protection Plan) new programme which is the most controversial. It is a cotton-specific subsidy that supplements the revenue protection afforded by the crop insurance policies to boost protection to roughly 90% of expected revenues, eliminating nearly the entire downside risks of farming cotton in the US. STAX provides county-level revenue protection for relatively small revenue shortfalls of between 10% and 30% of expected revenue, i.e., when revenue falls between 70% to 90% of that expected. The Government pays 80% of the premium of STAX, i.e. much more than for the crop insurance which is of about 65.2%. The expected revenue is determined on the basis of the expected price (determined by reference to the February price of the December cotton futures contract) times the expected yields (based on the county's production history).

The controversy lies in the NCC (National Cotton Council) refusal[5] to admit the ICTSD report on "*The 2014 US Farm Bill and its Effects on the World Market for Cotton*" by Christian Lau, Simon Schropp and Daniel A. Sumner[6]. The report concludes that "*At futures market prices of USD 0.70/lb., non-US cotton producers lose nearly USD 3.3 billion in cotton-related revenues per year. At low prices of USD 0.40/ lb., these losses are about USD 2.8 billion, and at high prices of around USD 1.30/lb., non-US cotton producers lose USD 6.5 billion in revenues*" so that "*our results could establish the basis for a successful claim that the US cotton subsidies continue to cause significant price suppression in the world market for cotton, within the meaning of Articles 5(c) and 6.3(c) of the SCM Agreement*".

For the President of NCC, Gary M. Adams, "*U.S. cotton policy criticisms enshrined in the Hong Kong Mandate and Bali Declaration are outdated and no longer apply… The* [ICTSD] *report presents findings that are inconsistent with other economic studies; misrepresents the U.S. marketing loan program for cotton; exaggerates crop insurance usage by producers; inflates crop insurance benefits; and attempts to dismiss previous findings of the WTO panel in the Brazil case… The reality is that current U.S. cotton policy represents a dramatic shift in the agriculture safety net, which serves to bring U.S. policy in line with WTO commitments*".

And the NCC "*firmly opposes*" the Cotton 4 (C-4)'s draft decision of 12 October 2015 "*to reduce amber box domestic support by 50% in 2016 leading to a full elimination by 2018*"

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[4] http://www.ams.usda.gov/mnreports/cnwwcmr.pdf

[5] http://agriculture.house.gov/uploadedfiles/10.21.15_adams_testimony.pdf

[6] http://www.ictsd.org/themes/agriculture/research/the-2014-us-farm-bill-and-its-effects-on-the-world-market-for-cotton

because "*reduction of trade distorting subsidies is contingent on a "general formula (that) is agreed," and that it is implemented in less time "than generally applicable," both prerequisites that rely on a general agriculture agreement establishing such formula and implementation timeline. Market access commitments are also contingent on their being a known implementation period, which can only be established through a general agriculture agreement*". But here Gary Adams was contradicting himself and the US position in Nairobi to not conclude the Doha Round, when he added: "*It is our understanding that the U.S. is seeking a limited agreement for the 10th Ministerial in Nairobi and then an agreed to path to move beyond the Doha declaration. We support such an approach and believe that the actions already taken to date by the U.S. with respect to cotton policy should be more than sufficient to allow the U.S. negotiators to resist any further calls for concessions on cotton*".

Even if the NCC statement is true that the world cotton price is more and more influenced to the cotton policies of major DCs, particularly of China given its huge cotton stocks. But Gary Adams' statement that the Indian minimum support price (MSP) "*equates to between $0.70 and $0.80 per pound*" is hugely false because the MSP of INR3750 for 100 kg of medium staple in 2014-15 and of INR4050 for 100 kg of long staple were equal, at the average exchange rate of INR62.5654 for $1[7], to respectively $0.27 per pound and to $0.29 per pound! Furthermore the USDA GAIN report of 30 March 2015 states that "*Seed cotton prices have been below MSP for most of the season*". A statement confirmed by the NCC Annual outlook report of 2015: "*With internal market prices below the MSP, the decline in India's 2015 cotton acreage is mitigated by the support of the MSP*"[8]. And the Indian Commission on costs and prices confirms that "*domestic wholesale prices of cotton (raw) have been generally lower than its international prices during 2010 (Q4) to 2014(Q2). MSP has been lower than both domestic and international prices*"[9] so that Indian cotton exports cannot be accused of dumping.

Gary Adams adds that "*Cotton farmers in India also benefit from subsidized fertilizer prices. Though not just limited to cotton, total fertilizer subsidies are estimated at more than $9 billion per year*". Yes, in FY 2013/14, the government fertilizer and fuel payments were Rs 680 billion (about $11.2 billion) and Rs 854 billion ($14.1 billion), respectively. He could have added that China subsidies to agricultural fuel and fertilizers subsidies were of $17.3 bn in 2014[10]. But this type of argument could have a boomerang effect as the US itself is subsidizing indirectly farm inputs, the US farmers' fuel expenses being of $16.7 bn in 2014 plus $28 bn on fertilizers[11] and $2.670 bn on electricity only for irrigation[12], these subsidies taking the main way of tax exemptions or rebates on energy, of which fuel and electricity.

Table 3 shows the US insignificant imports of cotton products – of HS code 52: lint, yarn and woven fabrics, but not clothes and linen – from Sub-Saharan Africa (SSA) from 1996 to 2014, having accounted for 0.004% of US total imports from 2011 to 2014. Curiously the average tariff on imports from SSA is a little higher than that from all countries but we cannot draw any conclusion because the products might be different. In any case tariffs on lint, yarn and woven fabrics are lower than on clothing but we have no time to make these calculations, the more so as there are hundreds of tariff lines for those.

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7 http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates
8 www.cotton.org/econ/reports/annual-outlook.cfm
9 http://cacp.dacnet.nic.in/ViewReports.aspx?Input=2&PageId=39&KeyId=547
10 https://usitc.gov/publications/332/pub4530.pdf#page=59&nameddest=Bullet1
11 http://usda.mannlib.cornell.edu/usda/current/FarmProdEx/FarmProdEx-08-04-2015.pdf
12 Farm and Ranch Irrigation Survey 2013, USDA, November 2014.

As for the cotton lint only – of HS Code 5201, not carded or combed – US imports from SSA have been almost inexistent since 1996-2000 when they accounted for 1/3 of US imports, even if these imports of lint represented only 0,46% of all US imports of code 52. The $198,000 US imports from SSA in 2013 corresponded to 94 tonnes of lint. US imports from SSA are the same as those from AGOA countries since 2000. If there is no import duties on cotton lint (also labelled seed or raw cotton in US data, which is confusing) from SSA, nevertheless the duties on yarn and woven fabrics are not negligible, even if they are lower than on clothing.

Table 3 – US imports of cotton (code HS 52: seed, yarn and woven fabrics): total and from SSA

$ 1000	1996/00*	2001/04	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
US imports of code 52 and tariffs: total and from SSA												
Total	2004755	1882883	1745981	1609754	1400134	1219409	861944	1082406	1253390	1137204	1099033	1077007
Tariff	137482	134097	118087	114375	96855	84469	58649	76960	87562	79663	76912	74407
" rate in %	6,86	7,12	6,76	7,11	6,92	6,93	6,80	7,11	6,99	7,01	7	6,91
From SSA	10240	2739	2760	1817	1384	889	1413	689	503	485	466	479
"in % of total	0,59	0,15	0,17	0,12	0,10	0,08	0,17	0,06	0,004	0,004	0,004	0,004
Tariff on SSA	712	233	214	136	105	70	113	60	38	40	19	36
" rate %	6,95	8,51	7,75	7,48	7,59	7,87	8	8,71	7,55	8,25	4,08	7,52
Imports of cotton seed only and tariffs: total and from SSA												
Total	9238	16480	14152	13328	7706	4559	118	1408	15702	6632	6553	9399
Tariff	78,4	117,8	109	91	34	42	0	17	23	23	14	25
" rate in %	0,85	0,71	0,77	0,68	0,44	0,92	0	1,21	0,15	0,35	0,21	0,27
From SSA	3086	17	23	0	53	0	0	0	0	0	198	0
"in %	33,41	0,10	0,16	0	0,69	0	0	0	0	0	3,02	0

Source: USITC (* data are not available before 1996).

II – The EU domestic subsidies and dumping rate on cotton exports

Greece and Spain are the only EU Members to grow cotton – with a production of 291,665 tonnes (t) in Greece on 278,000 ha in 2014-15 and of 90,712 t in Spain on 75,000 ha –, as Italy has ceased to produce since 1991 and Portugal since 1996 whereas Bulgaria maintains a tiny production on 400 ha, that we will not take into account.

Table 4 shows that the level of EU production remained almost stable from 1995 to 2006 but then dropped from 2008 to 2010, largely a consequence of the decoupling of 2/3 of the subsidies but the production has increased from 2012 to 2014 with better world prices. What is striking is that the EU has remained a significant exporter and has become a net exporter since 2005, with exports exceeding even production in 2012 and 2013 (explained by a variation in stocks). In fact the 367,600 t of EU exports of 2014 were 44% larger than those of Burkina Faso (255,150 t in 2014), the largest C4 exporter, and represented 58.5% of all C4 exports of 628,000 t. Nevertheless the EU exports are very low compared to those of the US (2.551 Mt) and to world exports (8.023 Mt).

Table 4 – The EU production and trade of cotton lint from 1995 to 2014

1000 t, € million	1995/00	2001/04	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Production 1000 t	519,2	432,4	562,5	399,4	394,2	279,6	239,3	251,7	362	334,3	360,4	368,8
Imports "	1271,9	872,5	339,2	230	150,3	164,4	174,7	132,4	150,3	143	196,9	194,4
Exports "	360,2	351,9	457,2	357,7	367,4	231,8	240,4	239,3	338,2	335,9	362,9	367,6
Balance "	-911,7	-520,6	118	127,7	217,1	67,4	65,7	106,9	187,9	192,9	166	173,2
Exports/production: %	69,4	81,4	81,3	89,6	93,2	82,9	100,5	95, 1	93,4	100,5	100,7	99,7
Export value: € 1000	214,7	231,3	252,1	309,8	163,1	225	284,7	393,3	290	483,4	410,3	371,8
FOB price: €/t	596,1	657,3	551,4	866,1	443,9	970,7	1184,3	1643,5	857,5	1439,1	1130,6	1011,4

Source: http://apps.fas.usda.gov/psdonline/psdQuery.aspx; Eurostat

What is clear is that the EU would had never grown cotton without its huge level of support, first through high import duties in Greece and Spain before they joined the EU and then through huge levels of domestic subsidies as, despite the entrance of Greece and Spain, the EU did not change its previous cotton policy based on duty free imports.

From 1995 to 2006 the subsidy was based on a production aid per tonne of unginned cotton, within a maximum guaranteed amount of 1.031 Mt (782,000 t for Greece and 249,000 t for Spain) which, is exceeded, was reduced in the country responsible for the overrun. The aid was paid to processors, who paid a minimum price to producers, fixed at least monthly by the EU Commission, based on the difference between a "guide price" (or target price) and the world price. Since 1995, the guide price was fixed at 1063 €/t, with a minimum price of 1009.9 €/t[13].

As the "guide price" was an administered price bringing a price support, one could wonder why the EU did not notify its cotton subsidies according to the methodology of the AoA Annex 3 paragraph 8: "*Market price support: market price support shall be calculated using the gap between a fixed external reference price and the applied administered price multiplied by the quantity of production eligible to receive the applied administered price*". In fact this could not be because the external reference price was not fixed but decided by the EU Council every year and the administered price was fixed by the EU Commission, both prices applying to cotton seed and not to cotton lint.

In fact the notifications from 1995 were made as "equivalent measurement of support" that the AoA defines as: "*the annual level of support, expressed in monetary terms, provided to producers of a basic agricultural product through the application of one or more measures, the calculation of which in accordance with the AMS methodology is impracticable*", and the paragraph 2 of Annex 3 adds: "*For those basic agricultural products, equivalent measurements of market price support shall be made using the applied administered price and the quantity of production eligible to receive that price or, where this is not practicable, on budgetary outlays used to maintain the producer price*".

The support to cotton included in the EU Schedule of commitments notified to the WTO in 1994 is presented in Table 5 (Table 9 in the list notified to the WTO). The gap between the applied administered price average of 993.7 €/t and the average external price of 332.1 €/t gives 611.6 €/t which, multiplied by 1.00065 Mt, gives budget outlays of €655,7 million (but the table could have been presented more clearly with a column on the gap in prices and the external price column should have been placed before that of budget outlays).

Table 5 – EU cotton support notified to the WTO in its Schedule of commitments of 1994

Type of measure	Years	Applied administered price	Eligible production	Market price support budgetary outlays	Comments
Guide price		Ecu/t	1000 t	Millions d'écus	Production x price gap
	1986	1080,9	952,3	713,1	External price
	1987	1026,5	877,7	609,5	1986-88
	1988	873,7	1889,6	644,3	
	Average	993,7	1006,5	655,7	332,1 ecus/t

Source: Schedule of commitments List IV

Tables 6 and 7 present the EU subsidies to cotton lint from 1995 to 2014, table 7 concerning the annual subsidies from 1995 to 2004, which are regrouped in table 6 for 1995 to 2000 and for 2001 to 2004. A first remark is that the amount notified at the WTO is systematically lower than the outturn registered in the EU Budget (the EAGGF, European Agricultural Guarantee and Guidance Fund) and some minor funding is also notified in the EAFRD (European Agricultural Fund for Rural Development).

[13] http://ec.europa.eu/agriculture/evaluation/market-and-income-reports/2014/cotton/fulltext_fr.pdf

The cotton regime changed drastically in 2006 when the EU decided that 65% of the previous payment from 2000 to 2002 would be transferred to the alleged decoupled green box of the SPS (single payment scheme) and 35% would remain coupled so as to maintain cotton production. The amount of decoupled support per hectare was set at €966 for Greece and applied to the average 391,667 ha of 2000-02, implying a transfer of €378.4 M to the Greek farmers' SPS. For Spain the decoupled SPS of €1,509 per hectare was applied to the 89,667 ha of 2000-02 for a total SPS transfer of €135.3 M to the Spanish farmers' SPS. So that the total cotton SPS was of 527 M for 481,334 ha grown in 2000-02. But the SPS remains fixed overtime whatever the change in the cotton production. For the 35% of previous subsidies notified in the blue box, their amount changes a little annually as they depend on the area actually grown. Coupled aids of the amber box to the restructuring on ginning industries and to integrated production were added for €10 M per year from 2009 to 2013, fallen to 6.1 M€ since 2014, and 22 M of rural development aids of EAFRD to cotton areas since 2012[14], which are always notified in the green box.

Of course the EU claims that its cotton is not subsidized as it is notified in the blue and green boxes. And its claim that its exports are not subsidized is even louder as it refuses that domestic subsidies to exported products should be considered as export subsidies despite that the WTO Appellate Body has ruled four times in that sense. The SPS, to which 65% of the previous amber subsidies were transferred, is coupled because it coexists with blue box payments and some amber payments for the same products, and not only for cotton. Indeed, according to the AoA article 6.5, blue box payments are granted "*under production-limiting programmes*" whilst the SPS allows to produce any product – otherwise it will not enjoy a full production flexibility –, including products whose production is forbidden or capped, which is the case of cottonseed production. Paragraph 28 statement of the Preamble of the Council regulation (EC) N° 1782/2003 of 29 September 2003 that "*In order to leave farmers free to choose what to produce on their land, including products which are still under coupled support*" is totally contradictory as cotton production is capped to 298 000 ha (article 58 of EU regulation N° 1307/2013 of 17 December 2013: if the ceiling is exceeded the subsidy is reduced by as much[15]) so that the beneficiaries of the SPS cannot grow more cotton, and this was the reason for which the US FDP (fixed direct payments) were ruled by the WTO Appellate Body not to be in the green box.

Table 6 – The EU subsidies to cotton lint exports from 1995 to 2014

1000 t, € million	1995/00	2001/04	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Notified at the WTO per marketing year												
Amber box	747,2	703,8	739,5									
Alleged blue box				254,5	247,5	216,9	221,7	247,3	245,8	242,3		
Alleged green box (SPS)	Contrary to the US the EU does not give the amount per product of the decoupled subsidies of the SPS notified in the green box											
Actual subsidies published per marketing year (marketing year T corresponds to financial year T+1)												
EAGGF amber box	798,7	866	739,5									
Alleged green box (SPS)				527	527	527	527	527	527	527	527	527
Alleged blue box				254,5	247,5	216,9	221,7	247,3	245,8	242,3	242,3	231,8
EAFRD							10	32,1	32,1	32,1	32,1	28,1
Total	798,7	866	739,5	781,5	774,5	743,9	758,7	806,4	804,9	801,4	801,4	786,9
Domestic subsidies and dumping rate												
Subsidies: €/t	1538,3	2002,8	1314,7	1956,7	1964,7	2660,6	3170,5	3203,8	2223,5	2397,2	2223,6	2133,7
Subsidies to exports: €M	554,1	704,8	601,1	699,9	721,8	616,7	762,2	766,7	752	805,2	807	784,4
Exports value: €M	214,7	231,3	252,1	309,8	163,1	225	284,7	393,4	290	483,4	410,3	371,8
Dumping rate: %	258,1	304,7	238,4	225,9	442,6	274,1	267,7	194,9	259,3	166,6	196,7	211

Source: Notifications to the WTO and EAGGF

Some reductions have occurred through the "modulation" reducing the decoupled and coupled direct payments exceeding €5,000 per farm, a reduction rate going from 7% in 2010 to 10% in

[14] http://ec.europa.eu/agriculture/evaluation/market-and-income-reports/cotton2014_fr.htm
[15] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1307&from=EN

2013, to be transferred to the rural development fund of the Member State concerned. However, as most cotton farmers have small farms, particularly in Greece, the modulation did hardly concern them. Furthermore we will not add the irrigation subsidies enjoyed by most EU cotton farmers given the low level of irrigation fees, first because it is difficult to find appropriate data[16] and second because the total cotton subsidies are already so large that it is not necessary to reinforce them to underline the huge dumping of EU cotton exports. But some irrigation subsidies find also their way through some rural development programmes.

Table 7 shows the detailed cotton subsidies from 1995 to 2004. You can see that the actual expenditures of the EU agricultural Budget (EAGGF: European Agricultural Guarantee and Guidance Fund) have been $93.9 M higher on average than the EU notifications to the WTO from 1995 to 2004, and the figures given by the European Court of Auditors from 1995 to 2000 have themselves been on average higher by €68.7 M than the notified figures but were almost the same as those of the EAGGF.

Table 7 – Details of EU cotton subsidies from 1995 to 2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Production	510,8	441,4	515,5	521,2	603,1	567,5	591	494,9	447,5	
Notified AMS	800,4	772,7	809,4	715,2	623,2	795	575,1	731,3	769,4	725,4
Court of Auditors	794,7	770	895,9	853,9	735,1	804				
EAGGF	740	800	761	903	854,7	733,4	804	872,6	835,3	952
Of which to ginners	35,9	40,6	43,4	48,3	45	47	44,1	38,8	42	

A short conclusion: table 8 shows that, while the EU share of total US+EU production of cotton has been of 14.2% on average from 1995 to 2014, its share of their combined export subsidies has reached 40.4%, 2.8 times more, and in 1995-00 and 2014 the 50.4% and 50.6% EU shares exceeded those of the US !

Table 8 – Total US+EU production and subsidies to their cotton exports and the EU share

$ million	1995-00	2001-04	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
US and EU cotton exports and EU share, in 1000 t												
US exports	1545,1	1688	3422,8	3534,4	3281,5	3017	2613,3	3057,9	2818,4	2782,7	2844	2190,7
EU exports	360,2	351,9	457,2	357,7	367,4	231,8	240,4	239,3	338,2	335,9	362,9	367,6
US+EU exports	1905,3	2039,9	3880	3892,1	3648,9	3248,8	2853,7	3297,2	3156,6	3118,6	3206,9	2558,3
EU share: %	18,9	17,3	11,8	9,2	10,1	7,1	8,4	7,3	10,7	10,8	11,3	14,4
US and EU subsidies to their cotton exports and the EU share												
US export subsidies	894,3	1415,4	2799,2	3030,3	961,5	3144,6	1873,7	887,8	1393,1	1347	1299,9	1028,5
EU export subsidies: $M	907	917,2	919,1	980,9	1060,3	1087,6	1054	1068	1119,2	1030,1	1063,9	1051,5
US+EU "	1801,3	2332,6	3718,3	4011,2	2021,8	4232,2	2927,7	1955,8	2512,2	2377,1	2363,8	2080
EU/(US+EU): %	50,4	39,3	24,7	24,5	52,4	25,7	36	54,6	44,5	43,3	45	50,6

Denouncing the EU cotton dumping does not imply to forget that the bulk of Greek and Spanish producers are small producers to whom cotton bring many employments and good income but it is also an excellent example of the absurdity of an agricultural policy essentially based on dumping as the EU processes less and less cotton and is an increasing net exporter since 2005.

III – Some data on the cotton production and exports of Sub-Saharan and C4 countries

Table 9 presents the evolution of cotton production and trade in SSA and in some West African countries, among which the C4, from 1995 to 2014. A first remark is that, if the production has increased significantly from 2011 to 2014, nevertheless it is still lower than

[16] See however "*Measuring Irrigation Subsidies in Spain: An application of the GSI Method for quantifying subsidies*", estimating about $1 bn of irrigation subsidies in Spain with an average 50% rate of subsidization, http://www.iisd.org/gsi/sites/default/files/irrig_Spain.pdf

during the 2001 to 2004 period. And if exports have increased correlatively they are still lower than in the same period and than in 2005.

We have no time right now estimate the corresponding export values from all countries and to make the link with the US and EU cotton subsidies, but it is clear that the SSA countries producing and exporting cotton should reconsider a little their cotton relations with the US and EU which have refused in Nairobi to continue the Doha Round negotiations, and in particular to reconsider the crucial issue of agricultural domestic subsidies. The more so vis-à-vis the EU which pressures them to sign and implement the EPAs (Economic Partnership Agreements) in which this issue of domestic subsidies is not taken into acount, the EU and the US having always argued that they can only be negotiated at the WTO.

Table 9 – Cotton production and exports of Sub-Saharan Africa and some West African countries

1000 t	1995-00	2001-04	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cotton lint production												
Sub-Saharan Africa	1371	1565,4	1607,6	1325	1059,8	1085,2	973,7	996,8	1404,3	1451,1	1445,6	1606
Burkina Faso	110,2	205,3	310	294,8	153,1	192,8	157,6	146,3	180,3	275,6	283,5	100,9
Mali	189,7	235,4	95	85,1	78,2	90,9	86,9	90,3	89,1	82,1	93,2	98,2
Benin	151,4	159,6	83,2	107,7	113,4	91,9	79,4	68	79,4	124,7	130,4	164,4
Chad	80,1	69,5	76	45,4	43,1	31,8	14,7	22,7	34	36,3	35,8	61,2
C4	531,4	669,8	696,7	627,6	411,6	395,8	351,5	344,7	488,8	633,7	642,5	569,3
Cotton lint exports												
Sub-Saharan Africa	1046,1	1210,5	1503,5	1223,4	935,8	804,7	890,2	784,3	950,1	1325,2	1210,2	1214,3
Burkina Faso	103,8	187,1	317,5	306,2	175,8	181,4	175,8	153,1	147,4	272,2	283,5	255,2
Mali	180,5	221,1	232,5	192,8	113,4	73,7	99,8	102,1	141,8	204,1	181,4	170,1
Benin	143,6	146	141,8	107,7	113,4	85,1	90,7	68	62,4	90,7	119,1	153,1
Chad	75,8	63,8	73,7	48,8	45,4	26,1	17	20,4	24,9	35,2	34	49,9
C4	503,7	618	765,5	655,5	447,9	366,3	383,3	343,6	376,5	602,2	618	628,2
Exports of some other West African countries												
Ivory Coast	116,1	102,1	119,1	87,3	62,4	39,7	73,7	56,7	96,4	130,4	164,4	192,8
Cameroon	74,1	92,1	95,3	79,4	47,6	45,4	44,2	51	56,7	90,7	102,1	102,1
Togo	54,2	63,5	43,1	22,7	22,7	17	13,6	11,3	24,9	43,1	31,8	39,7
Senegal	5,9	12,8	14,7	18,1	17	17	9,1	5,7	6,8	13,6	11,3	11,3
Nigeria	14	20,7	28,4	28,4	34	28,4	51	51	22,7	22,7	11,3	11,3
Guinea	7,5	10	3,4	3,4	3,4	3,4	3,4	3,2	3,9	4,1	4,1	3,2

Source: http://apps.fas.usda.gov/psdonline/psdQuery.aspx

The more so as the EU huge subsidy per tonne of cotton lint finds its way through the EU exports of cotton products to SSA and West Africa as shown in table 10. The 10,416 tonnes of cotton lint included in the EU cotton products exported in 2014 received €22.225 M of subsidies, corresponding to 50.7% of the €43.874 M of EU imports of cotton lint from West Africa.

Table 10 – EU trade in cotton products with West Africa in 2014

	Coton lint				Yarn and woven fabrics			Clothes, linen			Total
	raw	carded-combed	waste	Total	Product	% cotton	Total cotton	Product	% cotton	cotton	lint
Trade in tonnes											
Exports	8,4	6,1	74,9	89,4	11710	80%	9368	1279	75%	958,9	10416
Imports	30678	126	1617	32420	3110		2488	189		142	35050
Balance	-30670	-120	-1542	-32331	8600		6880	1090		6884	-24634
Trade in € 1000											
Exports	27,7	108,5	47,8	184	357705	80%	286164	19374	75%	14531	300879
Imports	43874	215	1045	45135	6160		4928	3526		2645	52708
Balance	-43846	-106	-997	-44949	351545		281236	15848		11886	248173

Compared with this massive dumping of the EU exports of cotton lint and of products processed from cotton, the EU subsidies to SSA through its "EU-Africa partnership on cotton", with a budget of €11 M for four years, appears truly derisory[17] !

[17] http://news.aouaga.com/h/17652.html

It is also interesting to compare in table 11 the value of ECOWAS and Sub-Saharan (SSA) cotton lint exports (HS code 5201) in 2014 with their exports and imports of all cotton lint, yarn and woven fabrics (HS code 52) with worn clothing (HS code 6309), knitted or crocheted fabric (HS code 60), articles of apparel, accessories, knit or crochet (HS code 61) and articles of apparel, accessories, not knit or crochet (HS code 62) even if all these processed textiles are not made of cotton only. We see that only ECOWAS has a positive balance of 127.4% given tits large exports of cotton lint, against only 27.6% for SSA and 22.3% for ACPs. Conversely, without cotton lint exports, ECOWAS exports are very small, at €147 M only, of which €111 M for those of cotton yarn and woven fabrics, and €36 M only for those of HS codes 60, 61, 62 and 6309, of which €21.5 M for worn clothing and €14.7 M for new clothing. On the other hand the EAC (Eastern African Economic Community) has significant exports of clothing, of €398 M in 2014 without taking into account the $36 M exports of code 52 minus code 5201.

However we did not take into account the imports of yarns and woven fabrics of other natural and synthetic textiles of HS codes 53 to 59.

We should also notice that ECOWAS' imports of worn clothing has represented 24.2% of all imports and 19% of its exports of cotton lint, a higher percentage than for SSA (13.9%). The EU28 itself has exported 1.120 Mt of worn clothing for €1.155 bn in 2014 for a FOB price of 946 €/t, of which 518,024 t to SSA for €557.4 M with a FOB price of 1076 €/t, of which 262,870 t for €277 M to ECOWAS for a FOB price of 1055 €/t.

Table 11 – African trade in cotton and clothing in 2014 countries, of which ECOWAS and EAC

$ million	Cotton code 52			Cotton code 5201			Clothing imports					Total M	Exports	X 5201/
	Exports	Imports	Balance	Exports	Imports	Balance	6309	60	61	62	Total	with 52	- 5201	Total M
ECOWAS	1435	418	1017	1324	3	1321	251	12	156	202	621	1039	124,7	127,4%
Africa	2434	2710	-276	1759	304	1455	948	966	2304	3388	7606	10316	10129	17,1%
Maghreb	60	1012	-952	1	80	-79	93	470	521	800	1884	2896	4610	0,03%
Egypt	403	511	-108	65	132	-67	4	92	49	613	758	1269	1330	5,1%
SSA	1971	1187	784	1693	92	1601	851	404	1724	1975	4954	6141	4189	27,6%
ACPs	2279	1901	378	1692	93	1599	906	519	1955	2290	5670	7571	5841	22,3%
AGOA	1656	1115	541	1373	91	1282	815	396	1626	1823	4660	5775	3821	23,8%
EAC	69	108	-39	33	1	32	237	91	199	282	809	917	398,3	3,6%

For its part the US has exported in 2014 773,818 t of worn clothing for $708.7 M (€531.5 M) with a FOB price of 915 $/t or 686.9 €/t), of which 102,678 t for $125.4 M (€94.1 M) to AGOA countries (FOB price of 1221 $/t or 916.6 €/t), of which 36,802 t to ECOWAS for $52,6 M (€39,5 M) with a FOB price of 1430 $/t or 1073.3 €/t. If we knew the share of EU cotton in these exports of worn clothing, the EU dumping of cotton would increase significantltly.

ECOWAS tariff on clothing is of 20%, including on worn clothing but the EPA would exclude most tariff lines from liberalization, including on worn clothing, but without increasing the tariff at 35% (which does not imply that the EPA should be signed) ! The EAC tariff is of 25% for all new clothing and imports on worn clothing were formally forbidden since June 2010[18] but are apparently still running, at a 35% tariff. At least the EPA would impose a 45% tariff on worn clothing. When we know that the textile industry has been at the basis of development of all developing countries and that it creates a huge amount of jobs, we realize the urgency for ECOWAS to regain control of its cotton chain future, which must rest on processing its cotton lint in apparels to stop progressively their imports while reducing cotton lint exports.

[18] http://www.kra.go.ke/customs/pdf/EAC-GAZETTE-29th-June-2010.pdf