

## Demand for end to agricultural subsidies

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The Cotton and Global Trade Negotiations conference organised jointly by the International Cotton Advisory Committee and The World Bank has brought an invitation by a representative from Brazil for other countries to work with his government in protesting against the subsidies paid for cotton and other agricultural products by developed countries, especially the United States. A number of African speakers had previously taken the floor to explain how badly their economies and societies have been affected by low cotton prices and to plead for fair treatment from the developed countries, which have been able to afford massive subsidies that their government's cannot match.

Mr. João Luiz Pessa, representing the Brazilian Cotton Growers Association, strongly expressed the view that it is the right and duty of governments to support its citizens "provided that it does not interfere with other nations and cause reflections to the international market that affect the natural law of supply and demand". His compatriot, Mr. Aluisio de Lima-Campos, Economic Advisor, Embassy of Brazil, Washington, suggested that "developing countries are, in general, the most cost efficient producers of cotton but they "cannot and should not" seek to compete with the treasuries of developed countries. Mr. Lima-Campos indicated that a complaint about the US Farm Legislation has been prepared and will be lodged with the World Trade Organisation (WTO) shortly. Mr. Cliff Sampson, representing the government of Australia, which chairs the Cairns Group, indicated that efforts will continue by Australia to work through the World Trade Organisation to reduce subsidies in agriculture.

Dr. Mark Lange, chief economist and president elect of the US National Cotton Council drew the conference's attention to the many influences other than subsidies that have led to current low prices, not least of which has been the massive growth in polyester fibre capacity in production in Asia, much of it facilitated with the benefit of government subsidy. Moreover, few countries apart from the United States have consistently engaged in efforts to stimulate cotton demand. In the meantime, cotton, like other commodities, has suffered in the wake of several economic crises beginning with the Asian crisis in 1997 and, in cotton's case, a significant impact has been forthcoming from China's stock reduction policy. Dr. Lange expressed the view that US policy is transparent and that as long as "the US meets its international disciplines as described in its filing with the World Trade Organisation, it is exercising its sovereign rights and meeting all external obligations".

Dr. Lange furthermore argued that a strong US dollar has in recent years supported foreign producers in times of low prices and that strong promotional efforts have expanded the US apparel and textile market, leading to a "staggering rate" of increase in imports of goods manufactured from foreign

cottons. “Hence, not only is the United States supporting world consumption of fibre”... “it is doing so primarily with imported cotton textile and apparel products”. Dr. Lange, in concluding, asserted that the US programme “is not the source of the ills in the world cotton industry” and that its elimination would “not bring renewed prosperity to cotton producers elsewhere in the world. The remedy, in his view, would include “significant and substantial contributions” by countries other than the US to “building world demand for cotton”, and a reversal of government policies that in many countries favour an increased use of synthetic fibres.

While recognition was given to the many valid arguments put forward by Dr. Lange, other speakers were inclined to single out the developed countries, notably the United States, as being “hypocritical” by, on the one hand, proclaiming free market principles while, on the other hand, maintaining high protection levels in the form of agricultural subsidies.

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