

## The Organic Cotton Chain (obstacles and success factors)

# Why is seco fostering value chains?

Hans-Peter Egler

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- § Goals of economic development co-operation
- § Why seco supports the development of the organic market? – Criteria for support
- § seco-projects: Development of trade with organic agricultural products
- § Other trade development assistance in the textile sector
- § Conclusions

# Mission and Goal: Poverty Reduction

<b>WE</b> Economic Development Cooperation  <i>O. Knapp *</i>
Coordination of Operations <i>M. Mordasini</i>
Controlling <i>M. Roth</i> <b>WECO</b>
Multilateral Financial Institutions <i>M. Rohner</i> <b>WEMF</b>
Investment Promotion <i>C. Barras</i> <b>WEIF</b>
Macro-economic Assistance <i>H. Kaufmann</i> <b>WEMU</b>
Trade and Clean Technology Co-operation <i>H.-P. Egler</i> <b>WEHU</b>
Infrastructure Financing <i>W. Gruber</i> <b>WEIN</b>

- Controlling, Information und Evaluation
- Multilateral Financial Institutions
- Investment Promotion
- Macro-economic support
- Trade and Clean Technology Cooperation
- Infrastructure financing

# Fields of intervention

## 1. Trade policy

- § support to delegates of international organisations in Geneva
- § advice to government in capitals
- § capacity building on trade
- § capacity building with regard to national strategies of climate convention (NSS)

## 2. Trade efficiency (supply side perspective)

- § marketing (market research, packaging, quality management etc.)
- § delivery (supply chain management, public procurement, customs)

### 3. **Market access (demand side aspects)**

- § tariff reduction
- § labelling
- § SIPPO Swiss Import Promotion Program

### 4. **Environmental and social standards promotion**

- § production incl. promotion of eco-efficient production

### 5. **Commodities**

- § sustainable production
- § commodity price risk management

# Why seco supports the development of the organic market?

- § Improving market access for producers and SME from Developing Countries and Countries in Transition to the market in Switzerland and EU
- § More sustainable agricultural production with less pesticides and fertilizer
- § Support for fulfilment of requirements of standards, norms and labels, overcome the “non tariff-trade barrier” certification
- § Organic products – an interesting opportunity to increase value-added - growing market of organic cotton

# Why seco supports the development of the organic market?

- § Value Chain approach: Matching interests of all partners involved
- § Less dependence from export cash crop by promoting domestic market at the same time
- § Consumers get more information about the origin of cotton
- § Experience in organic agriculture and fair trade: 11% surface of CH is organic, leading position in consuming fair trade products

# Criteria for support

- § Supporting development of long-term partnerships
- § Strong engagement from private sector is requested
- § Poverty-reduction in seco-priority countries, increased local income
- § Commitment for emerging markets, like organic cotton
- § Support niche market – which could influence the main stream market
- § Start-up support-projects have to become self-sustainable
- § Projects have to be flag-ships => catalyst and replicable

# Ongoing seco-projects in trade development with organic products

## Establishment of certifying capacities

- § INDOCERT – 2002-2006
- § Balkan Biocert – 2003-2007
- § Ecoinspect Romania – 2004-2008
- § Vietnam Certification Office – 2004-2006
- § India Market Development Project – 2004-2007
- § Certification and Market Development in Lebanon – 2005-2009
- § Certification and Market Development in Ukraine - 2006-2010

## Value Chain approach

- § Value Chain Organic Cotton in Mali - 2002-2005
- § Value Chain Organic Cotton in Kyrgyz Republic - 2003-2006
- § Value Chain Organic Cotton in Burkina Faso - 2004-2007

# Trade Promotion: Other seco instruments in the textile sector

## Trade policy

- § The Cotton Initiative (IDEAS)
- § International Cotton Advisory Committee (ICAC)

## Strengthening export potential of SMEs

- § Trade promotion and Export Development (ITC)
- § Enhancing standards-related institutions (UNIDO)

## Promoting imports in the Swiss and EU markets:

- § Swiss Import Promotion Programme (SIPPO)

# Trade Promotion: Other seco instruments in the textile sector

## Compliance with environmental and social standards

- § Cleaner Production Centers and Factory Improvement Programme (UNIDO + ILO)
- § Verification of Labour Standards within textile supply chain of Swiss retailers (ISCOM)

## Commodities:

- § Commodity price risk management (Worldbank)
- § Sustainable production of commodities

# Specific support to cotton

- § Member of International Cotton Committee
- § Value chain approach (Helvetas)
- § WTO „Cotton Initiative“

# The Cotton Initiative (IDEAS)

- § Trade policy – Supporting a pro-development outcome of the WTO negotiations on agriculture
- § "Cotton Initiative" launched in 2003 at the WTO Ministerial in Cancun by 4 African countries (Mali, Burkina Faso, Tchad, Benin), and supported by IDEAS Center.
- § The Initiative aims at obtaining a substantial reduction of trade-distorting domestic support and export subsidies for cotton.
- § Support provided together with other European countries
- § Results: Subcommission on Cotton within the Agricultural Negotiations of WTO in Nov. 2004

# Organic Cotton Project in Mali, Burkina Faso and Kyrgyzstan: Conclusions

- So far- encouraging results
- Private sector is crucial for success
- Strong partnership needed – still many open issues in the organic cotton chain
- seco is interested to continue its support for the next phase