

UNEP Country Projects on Trade and Environment

China - Cotton

Environmental Impacts of Trade Liberalisation on the Cotton Sector in China

National Institution leading the Project:

Agricultural Economics Research Institute (AERI), Nanjing, China

Project Summary

Cotton production and processing for textiles is a main economic sector in China. It is also one of its most protected and controlled sectors that will be faced with the need for significant adjustment as the country will soon join the WTO. Given its global comparative disadvantages in cotton production, and advantages in textile and clothing manufacture, it is presumed that while, *ceteris paribus*, domestic cotton production will likely decline, the Chinese textile industry should benefit from an increase of cheaper cotton import. The purpose of the study is to assess, *ex-ante*, the social, economic and environmental impacts of trade liberalisation in the Chinese cotton production and processing sector and identify policy directions for improved resource allocations and less input-intensive production in the sector.

The project, which began in June 2000 is aimed to provide policy advice for a transition to sustainable development of the cotton sector given the prospect of China's imminent entry into the WTO, and to strengthen China's negotiation capacity in subsequent rounds of trade talks relating to cotton. The objectives of the project are as follows:

- Enhance the country's capacity and understanding of the implications of trade liberalisation on the cotton sector in China
- Assess the environmental as well as social and economic effects of trade liberalisation in China, and elaborate sector specific methodologies to assess these impacts
- Formulate policy packages to correct the identified negative impacts of liberalised trade, and to maximise the positive ones, through economic and regulatory instruments as well as through the application of voluntary private sector initiatives
- Perform cost-benefit analyses for implementing the proposed policy packages
- Enhance coordination between national entities and increase national expertise in the use of integrated assessment tools in order to identify and quantify both negative and positive environmental, social and economic impacts of trade liberalisation
- Establish a long-term policy development process in cotton sector to address future trade-related environmental and social impacts of sector activity and ensure the sustainable management of the sector.

Summary of National Stakeholders Workshop, 19 July 2000, Nanjing, China

The National Stakeholders Workshop was held on 19 July 2000 in Nanjing, China. The objective of the workshop was to launch the UNEP/AERI (Agricultural Economics Research Institute) project on the Environmental Impacts of Trade Liberalisation on the Cotton Sector in China.

The workshop was attended by representatives from: Nanjing Agricultural University, China's Ministry of Agriculture and, Ministry of Foreign and Economic Cooperation, Beijing University, The Chinese Academy of Agricultural Sciences, University of International Business and Economics, Yang Zhou Tongyu Textile Group Company, China Chamber of Commerce for Import and Export of Tiles, The Jiangsu Environmental Protection Bureau, Jiangsu Agriculture and Forestry Department, Nanjing-Hopkins Center for Chinese and American Studies and the Stockholm Environment Institute (SEI).

Participants at the workshop emphasized the importance of the consultative and multi-stakeholder approach adopted by the project. It was stressed that this process will enhance collaboration between different government departments and enhance acceptability of the project outcome and likelihood of implementing its recommendations. It was also emphasised at the workshop that the project would need to have an environmental focus, particularly looking at the environmental impact of trade liberalisation in the cotton sector as it relates to the use of pesticides, fertilisers, water and GMOs. Participants also pointed out the environmental consequences of disposed plastic from greenhouses constructed all over China.

A Steering Committee will be established consisting of representatives of main government departments, industry, the private sector, and academia. It was agreed that the project team would start with field surveys with the cotton farmers to gain a clearer picture of the practices adopted by farmers in cultivating cotton, the impact of government policies on such practices and hence an analysis of the potential environmental impacts and approaches to address them.