The Institute of Economic Affairs' Policy Round Table on Linking Trade, Development and Poverty Reduction.

Report on ''Trade Policy Reforms and Poverty in Kenya: The Cotton-Textile Sub-sector''

Synopsis On the 11th of July 2006, the Institute of Economic Affairs in collaboration with Consumer Unit Trust Society, Kenya, and Kenya Institute for Public Policy Research and Analysis (KIPPRA) hosted a round table meeting on 'Trade Policy Reforms and Poverty in Kenya: The Cotton-Textile Sub-sector', a research paper on the Kenya's cotton and textile sub-sector, presented by Ms Gloria Otieno of KIPPRA.

This meeting brought together researchers, scholars, farmers, Ministry of Trade and Industry officials, journalists and the policy activists in the trade sectors from various non-governmental organisations.

The following is the report on the deliberation of the day. This report is divided into three parts. Part one of the report is a summary of the key findings of the research paper: 'Trade Policy Reforms and Poverty in Kenya: the Cotton- Textile Sub-Sector' presented by Ms Gloria Otieno. The second part outlines the comments of the two key respondents: Mr. Paul Gamba of Tegemeo Institute and Mr. Eric Ronge of KIPPRA. Lastly, the third part gives a summary of the general comments made by the workshop participants, and the recommendations to the researcher, and the programme.

Introduction

The Institute of Economic Affairs noted that "Linking Trade, Development and Poverty" initiative is a joint programme of the Institute of Economic Affairs (IEA-Kenya), Consumer Unit Trust Society, (CUTS-Kenya), and the Kenya Institute of Public Policy Research and Analysis (KIPPRA). This programme seeks to examine the impact of various trade agreements on different sectors of the Kenyan economy.

This has been necessitated by the fact that since 1980s under the Structural Adjustment Programme (S.A.Ps), Kenya has implemented a number of trade reforms, acceded to a number of agreements, bilateral and multilateral and become a member of the World Trade Organisation (W.T.O.). Consequently, there is a need to examine the impact of these policies on the Kenyan economy. This programme has identified the winners and the losers of the trade reforms, and commissioned research on a representative sector on each.

As a follow up to the background study on Linking Trade, Liberalisation and Development, this paper seeks to examine the Cotton Textile Sub-sector of Kenya's economy, as losers in the trade reform process.

An Overview of the Trade Liberalisation Process and its Impact on the Cotton-Textile Sub-Sector

Ms Gloria Otieno, in her presentation of the research findings on the "Trade Liberalisation and Poverty in Kenya: A Case Study of the Cotton Textile Sub-sector" noted that her study was a follow up to the background study on Trade Liberalisation and Development, that had identified the Cotton-Textile sub-sector of agriculture, as a sector with a potential to redress poverty, but which had been adversely affected by the trade liberalisation reform measures.

This study therefore examines the cotton textile sub-sector before liberalisation and after liberalisation of the trade regime. Through in-depth review of secondary information, and interview of 224 key stakeholders in the sub-sector. The study analyses the impact of trade policy reforms on each and every player from the farmers, to owners of firms that deal in the manufacture and retail of cotton and textile products, and makes the following observations and recommendations:

That there are winners and losers in the cotton sub-sector wrought by trade policy reforms. In addition, the local producers of cotton and textile products face a number of constraints on both the supply side and demand side of the production equation. While some of these constraints are internal, others are external. These constraints limit the economic potential of the cotton-textile sub-sector, especially as a means of redressing poverty in the agriculturally marginal, and poverty stricken regions of Kenya.

The paper noted that the liberalisation of trade impacts on the sector in a number of ways, such as raising the level of competition, that favours low cost producers, government revenues, income of socio-economic groups in the economy, access to consumer goods and the industrialisation process of an economy.

Kenya's Trade Reform Process

In the post independence period, Kenya pursued an Import-Substitution model. Through this policy of protectionism, Kenya registered impressive growth rates, in a number of economic sectors, including the Cotton Textile Sub-Sector. However, since the introduction of S.A.Ps (Structural Adjustment Programmes) that occasioned the policy reforms such as Public Sector Reforms, Introduction of user fee, privatisation and the shift away from Import Substitution to Export Promotion, Kenya undertook a number of trade reforms, especially in the 1990s.

Moreover, Kenya is signatory to a number of multilateral trade agreements such as COMESA (Common Market for East and Southern Africa), World Trade Organisation, and EAC (East African Community). Consequently, it has deepened the liberalisation process, harmonisation and rationalisation of tariffs. These measures exposed the Kenyan economy to increased competition, and the Cotton Textile sub-sector was not exempted.

Kenya's Textile Sub-Sector:

The down turn in the Cotton Textile Sub-sector, can be attributed to a number of factors: first liberalisation of trade in the Cotton-Textile Sub-sector saw the increase in the trade on used clothes, popularly known as 'Second-Hand or Mitumba', that eroded the local textile competitive advantage in the domestic market. Secondly the decline in the world's prices of cotton lint below the cost of production has discouraged production of raw cotton.

Despite the down turn of the sub-sector, there has been renewed interest in the revitalisation of the Cotton Textiles as a result of the United States' initiative of the African Growth Opportunities Act that allowed Sub-Saharan Africa quota free export of textile, on one hand.

On the other, by the renewed interest of the Kenyan Government in the cotton textile sector as demonstrate in the 'Sessional Paper No. 1 of 1999 on the Revitalisation of the Cotton Industry in Kenya' as strategic sector in its poverty reduction strategy. However, in order to revitalise the Cotton-Textile Sub sector, there are global and national issues that need to be addressed.

Global Issues

Currently, trade in Cotton and Textiles accounts for 6 per cent of the total world's export. The United States, Brazil, China, Turkey, Pakistan, Australia and India, account for 81 per cent of the world's production. However, the United States has a highly subsidised cotton textile sub sector that impedes competition from African countries, Kenya included.

It is estimated that, if the United State were to remove these subsidies, the world price would increase by 11.6 per cent, a positive price signal to producers of cotton and textiles, from developing countries that are low cost producers such as China, Pakistan, and India. Presently, the world prices are unfavourable because they fall below the cost of production.

In addition, agreements such as the Multi-Fibre Agreements (M.F.A) impede market access in the developed countries. While bringing the M.F.A. under the GATT rules is a significant achievement, more still needs to be done.

Whereas Sub-Saharan Africa is a major importer of used clothes, the major exporters are the developed countries. In Sub-Saharan Africa used clothes is a source of affordable and durable clothes to consumers at various levels of income, from the middle class to the slum dwellers. However, to the local cotton textile industries it is a cause of economic decline that has caused loss of employment and closure of local industries.

Cotton Textiles and Apparels in Kenya

The Cotton and Textile Sub-sector accounts for less than 2 per cent of Kenya's G.D.P. and employs about 140-150,000 small holders. Since 1990s, it has registered a decline. Currently, their production stands at 20,000 bales of lint against a potential demand that stands at 120,000 bales of lint. In monetary terms the Cotton Textile Sub Sector's actual value is estimated to be 179 million, against a potential of a 2.5 billion.

The Cotton and Textile Sub-Sector has great significance in the poverty reduction strategies because cotton tends to be the only viable cash crop for the agriculturally marginal areas that also have the high poverty indices. However, the sub-sector is faced with a number of challenges: for example out of the 24 ginneries in Kenya, only 10 are operational. Moreover, the ten ginneries that are operational do operate below their capacity: it is estimated that they use only 32.6 per cent of their production capacity. However, when fully operational, these ginneries can employ 1000 people on a permanent basis.

Currently, the production of Cotton and Textiles has been hindered by a combination of factors: out dated technology such as the steam- roller ginneries, and high cost of energy; low supply of cotton; and lack of domestic market for local producers.

On the contrary, in the immediate post-independence period, the sector realised a rapid growth under protectionism and state controlled economy. The sub-sectors decline can be attributed to the liberalisation process that subjected the sector to competition, leading to loss of employment for 70,000 persons and the collapse of the local cotton textile enterprises.

Kenya's domestic cotton-textile sub sector meets only 45 per cent of the local demand. Since liberalisation and the subsequent decline of cotton textile sub-sector, used clothes imports and new clothes imports fill in the remaining percentage of local demand for cotton and textile.

Thus, market out lets such as Njiris, Deacons and the 'exhibitions' deal in new cloth imports, employing mostly women and youths, for some Kenyans. However, the vast majority of Kenyans buy used or second-hand clothes.

This influx of used clothes has raised a number of issues such as the need to regulate the imports, either through increased taxation or type of items to be excluded (socks and undergarment), in order to boost local manufacturing sector capacity and nuture its competitive edge.

There are 19 firms in Kenya's Export Processing Zones that manufacture new textiles for export only, and has quota free access to the United States market, under AGOA (Africa Growth and Opportunity Act). However, this initiative because of the lack of backward linkages has not had a significant impact on the local cotton production. Since the AGOA agreement on special dispensation on apparels elapses in September of 2007, is this a lost opportunity for Kenya's cotton-textile sub-sector?

Institutional Issues:

The paper noted that the Cotton-Textile Sub-Sector lacks a regulator. Whereas the Cotton Board exists, it only has an advisory role in the sector. Moreover, the sector also lacks an overarching institution that is representative of each and every actor in the production and marketing process of cotton and textiles.

Perception Study:

The paper notes that perceptions of the cotton textile sub-sector differ from region to region; from actor to actor. The study notes that the farmers from cotton producing regions in Western Kenya and Nyanza that have experienced negative gross margins due to lack of quality seeds, and extension services, those in Mwea and Kitui, have benefited from quality seeds and extension services from KARI have experienced a positive gross margin.

Despite having realised negative gross margins, high cost of production, poor seed quality, lack of institutional support in terms of marketing and extension services, delayed payment and low farm gate prices, the farmers interviewed said they were still willing to grow cotton.

Ginners, both large and small-scale producers, who were interviewed, noted that erratic supply of cotton lint, high cost of production, obsolete technology, high cost of transportation due poor infrastructure, and competition from used clothes imports, has made the sector unprofitable. This has been made worse by the lack of incentives from the state, and support for Kenya's Cotton Textile products.

Consumer Choices and Preferences:

Eighty per cent of respondents stated that they have bought used clothes, because they are affordable and of good quality, compared with Kenyan products. Whereas the liberalisation of cotton textile sub-sector has a favourable rating from consumers, the other stakeholders in the production chain such as ginners, manufacturers, note that the influx of cheap import lead to the down fall of their enterprises. They also note that there is need for policy reforms in order to redress this trend.

In Conclusion:

The paper notes that the down turn of the cotton textile sub-sector cannot be attributed only to the trade liberalisation process. Trade liberalisation has had both negative and positive impacts on the sub-sector. Trade liberalisation in the cotton-textile sub-sector, has not only availed affordable consumer goods, but also subjected the local enterprises to competition from new and used clothes. However, this competition has not been favourable to the local industries.

Trade liberalisation reforms of the 1990s of the cotton and textile sub-sector coincided with the decline in the sector, such as decline of production of cotton, closure of some local industries, and loss of employment. In addition, policy failures also characterised the shift from a state-control and protectionism to market economy. The sub-sector lacks a regulator.

The paper noted that redressing the supply side constraints of the cotton-textile sub-sector, coupled with international trade reforms by removing subsidies and the end of Multi-Fibre Agreements, holds a promise to increased trade for low cost producers.

Policy Recommendation:

In order to revitalise the cotton and textile sub-sector, the paper makes the following recommendations:

1. There is need for an integrated approach in redressing the constraints of the actors along the production chain, that is, the constraints of each actor should be addressed, paying attention to the interdependent nature of the sector from farm to firm.
2. Kenya should consider promoting exclusive export production.
3. Kenya should establish a regulatory authority that is representative of the key stakeholders.
4. Kenya should consider regulating imports, alongside complementary policies that can boost the local cotton and textile sub-sector.
5. Kenya should address the issues of high cost of energy, and infrastructure. Kenya should also address issues of taxes and ad hoc charges, which raises the cost of production.
6. Kenya should develop a comprehensive trade strategy that is linked to regional market, and good flow of information to local exporting firms, who by law must be obliged to make use of Kenya produced raw material.

Comments

The First Respondent: Paul Gamba (Tegemeo Institute).

Paul Gamba in his response to the study made the following observations: first, the study covers basic issues in the cotton textile sub-sector. Moreover, the study looks at key policy initiatives since independence, such as the Import Substitution, promotion and protection of infant industries.

However, it should be pointed out that the policy shifted from a regime of high protection of the early decades of independence to a regime of no protection, and intense competition of a globalised economy. The shocks induced by these changes in the trade policies, coupled with absence of institutional reforms, dis-equilibrated the local industries, cotton and textiles included.

The respondent also pointed out that the initiative to revitalise the cotton-textile sector through the United States' African Growth Opportunity Act underscored the fact that the initiative to revitalise the sub-sector was not home grown; evidently, it was external. However, the promotion of the cotton-textile sector has been necessitated by the need to reduce poverty and generate incomes for rural households.

The respondent further noted that the cotton-textile sub-sector holds a promise of improving the incomes of the rural poor. However, the production of cotton-textiles face a number of constraints, and given these constraints, the poor producers cannot be expected to compete favourably with the heavily subsidised and mechanised producers of the United States. Nor can they compete favourably with used clothes.

Consequently, Kenya should weigh the trade off between the consumer welfare benefits that result from importation of clothes and textiles, and the cost of revitalising the cotton-textile sub-sector.

In order to revitalise the cotton-textile sub-sector, the respondent noted, we need to examine the current policy on agriculture: Strategy for the Revitalisation of Agriculture (S.R.A.). We also need to ask the following questions: Is the S.R.A. responding to the constraints faced by Kenya's cotton-textile sub-sector? Is the S.R.A capable of transforming the sub-sector into a competitive producer of cotton and textiles? Is the promotion of the production of cotton and textiles the only viable economic activity for the areas with high incidence of poverty?

The respondent noted that S.R.A. is an attempt to actualise the Economic Recovery Strategy for Wealth and Employment Creation in the agricultural sector. It looks at the agriculture sector in totality. It places emphasis on input supply for agricultural production; parastatal reforms; and opening up of the research and the provision of extension services to multiple and diverse players. Under the S.R.A. funds are availed to the farmers for the provision of extension services, but the farmers must identify who will provide these services. Since the sub-sectors in the agricultural sector are many, the amount allocated to cotton-textile sub sector is not clear.

The respondent reiterated that the impact of poor infrastructure, and lack of access to energy for rural and industrial production on the local production, couldn't be overemphasised.

Legal and Regulatory Issues.

The respondent noted that whereas Kenya has liberalised its economy, it has failed to legislate for a liberalised economy. Kenya runs a liberalised economy on laws and rules of a state-controlled economy. For example, the agricultural sector has 130 pieces of legislation that needs to be repelled, in order for the sector to be in step with the market economy. However, the slow process of Kenya's legislation means that this may not be done soon.

Institutional Changes:

The respondent noted that the change from Cotton Lint and Seed Marketing Board of the state controlled economy to the Cotton Board of Kenya is not substantial, since the latter operates on the same legal framework as the former.

The respondent also noted that the sub-sector needs an institutional reform that takes cognisance of the fact that there are multiple actors in a market economy. Consequently, there has to be an institutional framework that is representative of multiple players.

Besides, the various actors in the sub-sector should organise themselves in order to articulate their concerns, and lobby for effective legislation and policy. These lobbies should also seek to inform the national trade negotiation strategy.

Policy Issues:

The respondent noted that whereas there may be a case for regulating the imports that affect the cotton-textile sub-sector, such regulations may not be easy since Kenya is party to a number of international agreements that limits her options in this regard. However, Kenya can renegotiate and make a case for fairly well targeted, regulatory measures. In doing so, Kenya should focus on items that have a comparative advantage in the cotton-textile and apparels market.

The Second Respondent: Eric Ronge (KIPPRA.)

In his response to the research paper on the Cotton and Textile Sub-sector, Mr. Eric Ronge made the following general and specific remarks on trade policy, development and poverty, and the cotton sub-sector in Kenya.

The respondent noted that the link between trade policy and development is country specific; the link between trade policy reforms and development cannot be generalised.

The respondent noted that whereas there are many instruments of trade policy such as tariffs, quotas, and more, the effect of each measure on the economy vary, since they affect investment and production in different ways. Different types of trade policies impact on the economy in total differently.

Consequently, the research paper on the Cotton and Textile sub-sector should have specified the impact of each instrument on production in cotton-sub-sector, and on the economy in general.

Trade Policy and Poverty:

The respondent noted that in economics, trade and poverty are linked in two ways: through the impact of trade policies on economic growth on one hand, and its impact on economic efficiency on the other.

First, to the extent that trade promotes economic growth, then it should be obvious that there is a direct link between trade and poverty reduction. Economic growth suggests availability of resources in terms of revenue for the government, from some sectors of the economy that the government may or may not redistribute. However, intervening variables: government's policies, poor infrastructure, incidence of disease such as HIV/ Aids, may however negate the link between growth and poverty of a socio-economic groups.

The respondent also noted that unless the quality of growth is directly compromised, it should have an impact on poverty reduction, indeed, even if the cotton-textile sub-sector does not contribute to this growth. This so because, the government through the budget and other redistribution measures such as taxation can undertake poverty reduction, with the revenue from the growth sectors.

However, the transfer of resources from the segments of the economy that have contributed to the economic growth, to those that have not, is a political economy issue. Governments' intervene in the economy in this manner, either for strategic reasons or for selfish reasons.

Second, trade liberalisation affects growth through the promotion of specialised production, and efficient allocation of resources, or factors of production in the economy. Liberal trade regimes attract investment, and promote knowledge acquisition as well as the acquisition of more efficient technology for production. Thus, since Kenya's cotton-textile sub-sector also affected by obsolete technology, they stand to gain in a liberalised economy, if they can acquire new technology.

The respondent reiterated that while trade liberalisation enhances efficiency in the economy, its rewards are differential, that is, it rewards different sectors of the economy, differently. Hence the government's response is to reduce the negative impact of the reforms on income re-distribution wrought by trade policy shifts, such as the liberalisation of imports, reduction of tariffs, on poverty incidences.

In light of the above discussions on trade policy liberalisation and poverty, the respondent noted that the research Paper on 'Cotton and Textile Sub Sector in Kenya' does not answer whether it is trade liberalisation, and not other intervening variables account for increased poverty in the hitherto cotton growing areas.

The respondent also noted that the Paper fails to tell us the circumstances in which liberalisation of trade leads to poverty. Whereas the researcher demonstrates that there is a correlation between increase of poverty, and the trade liberalisation measures such as reduction of tariff, correlation is not causation. Indeed, it is possible that other variables account for the increased poverty in the hitherto cotton growing areas.

Given the demands of objectivity in research on one hand and the emotive nature of the discussion on Kenya's political economy on the other, the respondent noted that it is important that the research should establish the link between poverty beyond any reasonable doubt, through an objective and empirical research that leaves no significant variable out of the research process. Only then, can we assert for a fact, that trade liberalisation led to increased poverty in the hitherto cotton-textile producing areas.

The respondent further noted that in any trade reform process there are winners and losers. The would be losers tend to be more organised, cohesive, articulate and conscious of their self-interest. On the contrary, the would be beneficiaries tend to be fragmented, disorganised, suffer free-rider problems, and have little incentive to act as a unit in seeking trade reforms that are beneficial to them. The Kenyan consumers as gainers in the trade liberalisation process are thus typical of the latter group, in the trade reform process. It is important for the consumer lobby groups to recognise this fact of policy reforms process.

In examining the trade poverty alleviation link, the respondent noted that we should ask the following question: Can trade liberalisation aid poverty alleviation? Depending on ones' answer to this question, these are the likely response to trade liberalisation policies: either stop the liberalisation process or manage the liberalisation process with a view to minimising its adverse effect.

Moreover, we should ask, what is the goal of trade liberalisation policies? Is it to alleviate poverty or to promote industrialisation? The last goal has greater benefit to the economy.

The respondent further reiterated that in so far as the nature of the link trade liberalisation and poverty is concerned, it is important that the following specific questions should be asked:

1. To what extent does trade liberalisation lead to higher income or savings?

2. What types of trade offs do trade liberalisation engender within the economy in its entirety? Is it a trade off between poverty today or tomorrow?
3. Since trade policies and other economic policies are inter-dependent: what is the impact of other policies, other than trade's on poverty?

The respondent noted that in undertaking the trade policy reforms one is confronted with the following scenarios, on what is to be done. That is, to undertake or not undertake the reforms? To undertake the reforms now or later? Which sector(s) to liberalise or which sector(s) not to? There are arguments for and against each option. But, generally, liberalisation leads to economic growth, and it is imperative to direct this growth to poverty reduction measures.

The respondent reiterated that it is important for trade policy reforms to address the impact of the negative externalities, however difficult the prediction of the nature of these externalities is. In redressing the impact of negative externalities, one should avoid special interest group or lobby groups' capture of a specific measures designed for this purpose.

The respondent pointed out that generally, governments do not favour lump sum transfers, as measures to mitigate negative externalities of economic policies. Moreover, lump sum transfers to the poor are susceptible to middle class capture, and therefore do not reach those adversely affected by these externalities.

While alternative measures such as temporary income support, retainers, look appealing, these measures too have their drawbacks. Consequently, measures to protect the poor who are vulnerable to trade policy reforms, should be well targeted, and geared towards projects that combine work and income such as general works for community development. In addition, the government should provide infrastructure and incentives for the establishment of functional credit and commodity markets for the poor.

The respondent noted that in the trade policy reform process, the timing and sequencing of reforms is an important variable that determines the success or failure of the reforms undertaken. For example, it is not advisable to undertake trade liberalisation during a recession.

As a guiding rule on the trade policy reforms, the government should aim at protecting people, rather than jobs. That is how to spend more on people, and not protecting some jobs per se.

Specific Comments on the Research Paper:

The respondent noted that the researcher should do the following:

1. Integrate the Terms of Reference and the Specific Objectives of the study.

2. Provide a justification for the methodology of the study: sample size of those interviewed, and how they were picked.
3. Avoid generalisation or general remarks when examining the nature of cotton trade at the global level.
4. The study should capture the dynamics of cotton production and trade.
5. Further dis-aggregate the characteristic of the respondents in the 'perception' section of the study.
6. The study should state where Kenya's comparative advantage is, the cotton textile production chain; and state the cotton-textile sub-sector comparative advantage over other possible economic activities.

Furthermore, the researcher should also ask the following questions:

1. What are the limits of trade policy reforms? Are the benefits from one sector transferable to another?
2. Do the reforms give the poor consumers access to new goods? How do these reforms impact on the urban poor, and the rural poor? How do these reforms impact on the levels of income, savings and household consumption? Is the impact of these reforms uniform or do these reforms affect different member of the household differently?
3. What is the nature of the externalities of the trade policy reforms? Do they impact on the poor people's economic activities positively or negatively?
4. Do trade policy reforms spur new economic activities? Whose activities? Do these activities provide or eliminate opportunities for the poor? And are these activities more or less risky to the poor?
5. What is the impact of trade policy reforms on utilisation of Kenya's factors of productions, in particular land and labour? What factor of production in the Kenyan economy does it favour? Does it promote intensive use of this factor of production?
6. What is the impact of trade policy reform on government's revenue? Does it lead to the reduction or increase of government revenue?

General Comments:

The participants noted that the study on the Cotton-Textile sub-sector of agriculture was timely. They noted that whereas there are limitations to this research, including the availability of time and resources, it has established beyond doubt the key concerns of the cotton-textile sub-sector of agriculture. It was noted that a number of questions put to the researcher had been answered in the background paper to this study. However, further research is necessary.

Therefore, in order to establish the link between the cotton-textile sub-sector and poverty reduction an empirical study that takes into account the relevant variable is necessary. This requires an econometric analysis that should establish the incidence of poverty and causal factors.
The participants noted that cotton is the only cash crop that the agriculturally marginal areas of Kenya can grow, and that no other crop can do as well or better in these regions.
However, provision of the seeds is an issue because; currently farmers rely on seeds of poor quality.
The participants were told that KARI (Kenya Agricultural Research Institute) in conjunction with KEHPIS (Kenya Plant Health Inspectorate Service) is in the process of availing certified seeds to farmers through agro-vet shops. Furthermore, KARI is in the process of introducing pest resistant, high yield cotton variety that would reduce the cost of in put in the cotton production.
However, a participant who is a farmer, expressed reservation over the new cotton variety, noting that it is genetically modified, and farmers are yet to be told what are the likely consequences of growing such a crop, and whether its other by products such as seeds would still be of use. Instead, farmers would prefer organic cotton, to genetically modified cotton. The participants suggested that KEPHIS should player a greater role in seed certification. Presently, no institution certifies cottonseeds.
The participants observed that presently, only a limited portion of small holders' land were under cotton cultivation; however, the farmers were willing to increase cotton production given the right price signals, and a stable economic framework for the cotton-textile sub-sector.

The participant also noted that there is need to examine how the Ministry of Agriculture's budgetary allocations and use at the district level, impacts on the production of cotton. The participants suggested that there is need to promote the use of small and efficient technology for ginning, and the production of home made cotton produce for employment creation in the rural areas. Thus, there is the need to address not only the supply side of cotton production but also the demand side.
The participants suggested that Kenya should cultivate the domestic and the COMESA markets, instead of focusing on the AGOA markets, because it has a market niche in COMESA.
The workshop was informed that the Ministry of Trade and Industry has developed a National Trade Strategy. It has a ministerial co-ordination committee. It expects each ministry that deals with external trade or aspects of it to have a budget for the promotion of its activities, and products. Consequently, the Ministry of Agriculture should have a provision for the promotion of the cotton-textile exports.

POLICY ROUND TABLE
LINKING TRADE, DEVELOPMENT AND POVERTY REDUCTION
THE COTTON SUB-SECTOR
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