

PROTECTION OF GEOGRAPHICAL INDICATION:
A STUDY OF THE 'AEGEAN COTTON MARK'

DERYA NİZAM

BOĞAZIÇI UNIVERSITY

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Derya Nizam

Boğaziçi University

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The thesis of Derya Nizam

has been approved by

Prof. Dr. Çağlar Keyder
(Thesis advisor)

Assist. Prof. Nuri Zafer Yenil

Prof. Dr. Ferhunde Özbay

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Thesis Abstract

Derya Nizam, “Protection of Geographical Indication: A Study of the ‘Aegean Cotton Mark’ ”

In the last decade, geographical indication (GI) has emerged as one of the important instruments of intellectual property protection in agriculture sector. Geographical indication is a sign indicating the origin of a product that possesses a specific quality, reputation or other characteristics attributable to the place, area, region or country of origin. In the post liberalization process, pressure of economies of scale in the production of standardized and simplified products over small or medium sized producers has been increasing in agriculture sector. Along with this pressure, farmer’s share of the added value of the final product decreased over time. Basically, geographical indications offer an important setting to local actors for a struggle to capture a high proportion of added value derived from local characteristics. In that context, the case study of Aegean Cotton GI is presented through the global commodity chain analysis. It is examined how this GI was adopted and developed as a strategic tool by local actors in response to cost-price squeeze which has intensified with the liberalization of agriculture policies. This study also aims to discuss some implications of the definition, promotion and marketing of this GI product particularly with respect to the organization and governance of commodity supply chains. In that sense, it is argued that GIs are reconsidered not only as quality schemes, but also as new tools of governance for localized production systems.

Tez Özeti

Derya Nizam, “Coğrafi İşaret Koruması: ‘Ege Pamuğu İşareti’ Üzerine Bir Çalışma”

Son on yıl içinde, coğrafi işaret (Cİ) tarım sektöründe fikri mülkiyetin korunması için önemli araçlardan biri olarak ortaya çıkmıştır. Coğrafi işaret belirgin bir niteliği, ünü veya diğer özellikleri itibariyle kökenin bulunduğu bir yöre, alan, bölge veya ülke ile özdeşleşmiş bir ürünü gösteren işarettir. Liberalleşme sonrası süreçte, tarım sektöründe standartlaştırılmış ve basitleştirilmiş tarımsal metaların üretiminde ölçek ekonomilerinin küçük ve orta ölçekli üreticiler üzerindeki baskısı giderek artmıştır. Bu baskı ile birlikte, çiftçilerin nihai üründen aldıkları katma değer payı zamanla azalmıştır. Temel olarak, coğrafi işaretler, yerel özelliklerden türeyen katma değer ^{daha} büyük bir oranına sahip olabilmek için yerel aktörlere önemli bir mücadele sahnesi sunmaktadır. Bu bağlamda, Ege pamuğu Cİ üzerine bir alan çalışması, küresel meta zinciri analizi ile birlikte sunulmaktadır. Bu coğrafi işaretin, yerel aktörler tarafından tarım politikalarının liberalleşmesi ile şiddetlenen maliyet-fiyat kısıncasına karşı bir stratejik araç olarak nasıl geliştirildiği ve benimsendiği incelenmektedir. Çalışma, coğrafi işaretli ürünün tanımı, teşvik edilmesi ve pazarlanmasına dair önemli bir takım uygulamaları, özellikle meta tedarik zincirinin yeniden organizasyonu ve yönetişimi ile ilgili olarak tartışmayı amaçlamaktadır. Bu anlamda, bu çalışmada coğrafi işaretlerin sadece basit birer kalite şematiği olarak değil, yerelleşen üretim sistemleri için yeni bir yönetim aracı olarak da yeniden düşünülmesi gerektiği savunulmaktadır.

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This thesis is dedicated to my father who has to pick cotton
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CHAPTER 1

INTRODUCTION

In the last decade, geographical indication (GI) has emerged as one of the important instrument of intellectual property protection. As the term itself indicates the GIs are designations, expressions or signs which aim at indicating that a product originates from a country, region or locality. GIs generally cover local products but include agro-industrial goods as well. This thesis examines how GIs are deliberately adopted by agricultural producers. It aims to understand the economic implications of this regulation for local producers, in particular with respect to the organization and governance of commodity supply chains as well as definition, promotion and marketing of GIs products.

This thesis explains how the economic principles of GI protection and their key functions for product differentiation and added value generation opportunities can be perceived as effective policies in dealing with the continuous pressure of economies of scale in the production of standardized and simplified products in agriculture sector. In particular, how differentiation strategies on the basis of GI protection have been used by local actors in response to declining prices for agricultural commodities and increasing competition from new entrants to global markets. In other words, how the increasing interest in alternative to the dominant mode of industrialized agriculture is exemplified by the development of regional initiatives (local networks) for the production and distribution of high quality products through GIs. For this aim, focusing on a case study of Aegean Cotton GI, I will discuss the creation of a specific form of organization and cooperation among local actors through GI protection in order to cope with trade

liberalization processes and to interrupt one of the strongest cost-price squeezes as well. It will attempt to exemplify that the protection of Aegean Cotton GI become a setting for a struggle for the capture of a high proportion of added value derived from these local characteristics. In that sense, it is argued that GIs cannot be only a quality scheme, but also a new governance tool for localized production systems.

Study Background and Objectives

During the last twenty years, product differentiation strategies centering on the geographical origins of a product have increasingly been used by local groups as effective marketing tools to create images of quality and uniqueness. These strategies rest on the premise that the presumed quality of a product stems from the unique environment that is its place of origin. Place of origin may be used as a quality signal or alternatively the resources of the region may be captured in the origin labeled product as quality attributes. These are not only natural resources of the region such as landscape, environment, soil and climate, but also human resources such as production techniques, cultural and traditional knowledge. So, every attempt to promote geographical indications problematizes the place of origin as a significant element in the discussion of quality. By drawing upon an image of the region as a source of quality, GIs or other labels of origin have a unique positioning opportunity to capture a high proportion of added value derived from these local characteristics. The added value derived from the resources leads to a differentiation based on product qualities and consequently to the creation of niche markets. The advantage of differentiation and niche production is clear: differentiation allows producers to move away from being a price taker and towards being a price maker. It provides them freedom from price fluctuations or cost-price squeezes associated with commodity markets. Numerous examples in the literature can

be given to show how increased protection of GIs has generated increased profits for small or medium-sized producers in various parts of the globe. For example, Italian "Toscana" oil accrues a premium which is 20 percent higher than commodity olive oil since it has been registered as a GI in 1998. French GI cheese is sold with a premium of 2 euros (per kilo) and the milk that is used to produce French Comte cheese is sold with a premium between 10 percent or greater compared to other milks. Similarly the market price for Bresse chicken in France is quadruple of that of commodity poultry meat (European Commission, 2003). In Mexico, creating the GI designation "Tequila" increased the price of products and other domestic inputs which greatly increased profits for Mexican producers (Agarwal & Barone, 2005). Some GIs would fall into a high-premium category that can command price premium between 20 percent or greater compared to the price of generic products (Brown, 2003).

In recent years, the GIs have emerged as a powerful tool increasingly used for a wide variety of agricultural products. Geographically identified agricultural products are typically asserted to have distinctive qualities deriving from the place of production or to be influenced by specific local factors such as the type of soil and climate, and may embody cultural attributes such as the preference for production by using traditional methods rather than large scale industrial agriculture. In particular, product differentiation strategies have been used by local actors in response to declining prices for agricultural commodities and increasing competition from new entrants to global markets. This emerges when opportunities for growth within the industrial paradigm are limited or even destructive, like decreased number of farms and decreased profit rates for the industry as a whole. Although the details are beyond the scope of this thesis, there are also other factors that influence the rise of local product differentiation

strategies, such as the questioning of food safety related to the dominant industrial agricultural model; development of new conventions of quality and policy concern on finding new ways to strengthen local rural development. However, this thesis, first of all, provides an overview of the economic principles of GI protection and their key functions for product differentiation and added value generation opportunities offered by the global market place. In addition to this, it provides multiple views on how it can be perceived as effective policies in dealing with the continuous pressure of economies of scale in the production of standardized and simplified products in agriculture sector.

In fact, the last twenty years or so have been a new conjuncture in the global competitive environment characterized by declining agricultural commodity prices, the consolidation of giant agribusiness, the homogenization and increased standardization of the global agro-commodities and elimination of state subsidies for farmers. Especially in Turkey, the changes in the nature of markets and trade of agricultural products as a result of structural adjustment and trade liberalization process have been created new challenges. These new challenges arise in the areas of market access and competition and also from the increasing importance of public and private standards in production and marketing of agro-products. It raises questions about market structures, power relations and governance in the commodity supply chains, as well as strategies can be used to offset this power: regional branding, geographical indicators, niche products and alternative marketing channels.

In particular, product differentiation strategies have been used by local actors in response to declining prices for agricultural commodities and increasing competition from new entrants to global markets. I believe that these strategies emerge as a pattern of “localism” to benefit and profit from the local qualities, characteristics or reputation of

the particular location from which the products originate. From this perspective, this thesis aims to provide a critical understanding on GIs, and how these regional initiatives are built, shaped, and reorganized; and whether or not it is practically contributing to a struggle for the capture of a high proportion of added value derived from these local characteristics. Despite the rising importance of GI within globalization, little empirical research has been done on the ways within which GIs are used by the local actors as an effective strategy for added value generation opportunities offered by globalization. Recent research has largely focused on theoretical discussion on localism or legal (procedural) aspects of GI protection in the international level.

This study attempts to address the impacts and implications of GIs utilizing the case of Aegean Cotton which is the major industrial crop in terms of high value added quality and good reputation globally. For this aim, in this thesis, I will try to analyze the basis of GI strategies in the Aegean Cotton sector through the application “global commodity chain” approach. Since the approach was elaborated in the mid 1990s, the notion of chain governance structure has received much attention. Gereffi (1994) defines governance structure as “the authority and power relations that determine how financial, material and human resources are allocated and flow within a chain” (p.97).

Accordingly, the global commodity chain approach promotes a micro analysis of world-economic spatial inequalities in terms of differential access to markets and resources. In addition to this, the global commodity chain approach places particular emphasis on the coordination of different actors along the chain of activities involved in the production, processing and distribution of products. This theoretical orientation considers actors and the dynamic processes of change and development stimulated by their relations as central units of analysis. By viewing actors as interdependent subjects whose identities

and resource capabilities are constituted by their relations with other actors enables me to uncover the role of power relations in shaping people's interrelations and to identify different governance structures. More than this, its concentrated focus on sector and product-specific factors is useful to identify the factors which contribute to a product's potential to benefit from an effective protection of GI.

Methodology

In this case study research, I largely adopted a qualitative research approach supported with some elements of quantitative data application. The geographical focus of the study is the district of Söke in the Aydın Province, which itself is located in the larger Aegean region of western Turkey. Söke covers the largest cotton growing plains in Turkey with high color quality and fiber strength due to its favorable climate conditions. Moreover, its rural cotton sector is among the most organized ones in Turkey, hence has been able to better adapt to its changing economic environment after liberalization. In this project, it is in this geographical focus area that I examined the role of the GI protection in relation to the changes in marketing strategies. Evaluating the reasons of and efforts towards promoting GI protection in local institutions, I tried to explore how they have enhanced the system of local production and processes and how far they have helped to integrate and strengthen the potential of the GI in fostering the generation of added value. For this purpose, I took a closer look at the ways in which different actors put different expectations on the implementation of the GI and the ways they see their role in challenging and shaping the cotton supply chain. Accordingly I looked into the distribution of potential benefits and burdens arising from the GI protection and the possible conflict of interests among involved actors.

This case study was undertaken in two phases, an exploratory phase and a field research phase. The exploratory phase (June 2006 – December 2007) involved numerous open-ended interviews and focus group discussions with random key actors, such as producers, local traders, or people from processing industries and local institutions in the field. In the explanatory phase, key themes and questions were established. Interviews focused on organizational structures, production strategies, sourcing and marketing strategies, motivations and ideologies, and possible implications of the geographic indicators regulation. The fieldwork phase (January- December 2008) consisted of targeted interviews focused on policy management issues about the GI regulation, including of organizational arrangements and institutional operations, in order to clarify what institutions do, for what reasons and with what implications. So the respondents were selected by choice to have potential indepth information and understanding of the basic implementation of and procedures about the GI project. In this phase, sixteen interviews were conducted to gather primary data from key informants in public office positions or local institutions, including mainly chairpersons and officers. The institutions I visited included İzmir Mercantile Exchange, Söke Mercantile Exchange, Söke Agriculture Office, Söke Chamber Of Agriculture, Söke TARİŞ Cooperative, İzmir TARİŞ Cotton Union, Aegean Farmers Association, Söke Agriculture and Credit Cooperative, Söke Agriculture Bank and other private banks.

In qualitative field research, interview and participant observation are the primary methods of collecting data. However in this research I utilized both qualitative and quantitative data to analyze the institutional operations of the GI. The quantitative data is generated from secondary sources in the form of statistics and figures that have been useful in assessing evidence to support the claims. For this purpose, documents

reviewed include official institutional publications (public reports, statistics and figures), legal and regulatory documents (acts of parliaments and official reports issued at specific parliamentary sittings) and published articles in journals and newspaper reports. In an almost three-year period, I attended a number of local and international workshops and capacity building programs organized by civil society members in order to share and inform about the latest developments related to the rural development agenda. One of the capacity building programs was on "Energy, Climate Change and Rural Development" and took place in Brussels from 8 to 14 February 2009. I had the opportunity to meet many prominent specialists from the European Union Common Agricultural Policy, EU LEADER program, activists and NGOs working for alternative rural development networks. The program was organized to cover a wide range of issues ranging from health, infrastructure, energy, climate change, trade and finance to agriculture, rural development, gender and environmental protection. Discussions on these issues enhanced my perspective to look at various characteristics of the GI. In addition, it was helpful to observe the roles of different approaches and target organizations in the formation of networks (of technical, financial or informational resources) aiming at enhancing co-operations or associations among rural participants worldwide.

After gathering data I tried to interpret them in line with the framework set to capture the research objectives. The data obtained through quantitative techniques was evaluated against and compared with the data gathered through qualitative techniques in order to support evidences and conclusions drawn in the thesis. The preliminary review and analysis of documents enabled me to identify the key thematic issues and later during interviews it helped in redesigning the questions focusing on specific ends. The

in-depth interviews were transcribed and summarized in terms of specific themes and sub-themes related to the objectives of the thesis. In summary, the elements of quantitative data in the form of statistical tables, charts and graphs enriched the analysis and helped me to describe, translate and provide meaning to issues also captured by interviews.

Structure

Following the introduction, my thesis consists of three chapters and a conclusion. In the first chapter, I overview the conceptual approaches to geographical indication and theories focusing on the strategy of localism for the study of GI. Traditional GI approaches have focused on the concept of localism which is embraced as a romantic movement toward emancipation from global market logic. Against these approaches, the aim of this part of the thesis is to more deeply examine and rethink the ways within which localism emerged as a powerful strategy for product differentiation and added value generation opportunities offered by global market place. It presents a discussion on the economics of differentiation, niche marketing and governance for the organization and control of agro-commodity chains. However, it is argued that due to their explicit reference to place or territory GIs can be perceived as an effective policy to cope with the continual pressure of economies of scale in the production of standardized and simplified products. For this aim, this chapter focuses on some concerns with respect to the dominant “placeless” agro-industrial paradigm.

In the second chapter, I summarized the general legal approaches to GI as a collective intellectual property right. This chapter thus proceeds to give a description of the history of protection GI as well as an explanation of the situation today. There is a fundamental conflict between the protection of GIs and trademarks. Several treaties and

regional arrangements have attempted to set the appropriate standard for resolving the conflict between GIs and trademarks. So the aim of this part of this chapter is to more deeply examine the content and potential of the legal tools adopted to protect GI with some necessarily brief reflections on how GIs are considered to be eligible for protection (intellectual property theory), what type of products GIs are, and what the implications of their protection are for consumers and for producers. Then the conclusion of this chapter returns to understand how the issue of GIs is closely tied to agricultural policies at international level. Basically, I aim to explain Turkey's experience with GIS and how the practice of GIs fits in to the Turkish context, what the main opportunities and challenges are and what the future of GIs protection is likely to be.

This concludes the descriptive part of my thesis and in chapter three I move on to evaluating the impacts of production of GIs on a specific region through my field notes and interviews in the Söke Plain. In this final chapter, focusing on a case study of Aegean Cotton GI, I will discuss the creation of a specific form of organization and cooperation among local actors through GI protection in order to cope with trade liberalization processes. It is argued that the objective of Aegean Cotton is to interrupt one of the strongest cost-price squeezes which make it difficult for small farmers to boost prices and cover escalating costs after the liberalization of the cotton sector. Accordingly, this chapter mainly focuses on the ways in which GIs are designed. Most particularly, I elaborate on the ways in which GIs are defined, and how the cotton supply chain is organized and governed in relation to GI. For this aim this chapter begins with a brief outline of the Turkish cotton marketing system before the economic liberalization policies of Turkey. More specifically, I also discuss the processes of competition and input supply as well as examining the strategies of marketing and quality management.

The conclusion will summarize my findings in the light of theoretical and empirical data on GI protection through the commodity chain analysis.

CHAPTER 2

FROM LOCAL TO LOCALIZED AGRO- PRODUCTS: SOME THEORETICAL CONSIDERATION ON GEOGRAPHICAL INDICATIONS

This thesis examines the creation of geographical indications (GIs) for agricultural products as a means of “localism strategy” within the framework of globalization. Due to their explicit reference to a particular place or territory, GIs can be presented as sources of resistance against “the homogenizing effects of placeless agro- production systems”. Before proceeding with the term localism and its critiques, let me elaborate a little bit more on the concept of homogenizing effects of “placeless” agro-industrial paradigm.

Homogenizing Effects of Placeless Agro-Industrial Paradigm

Under the homogenizing effects of placeless agro-industrial paradigm, agriculture loses its link to nature, as techniques are increasingly determined by industrial inputs rather than by seasonal or climatic and territorial constraints or by the biological characteristic of the production process and seeds. This process results in the production of yields whose maturing time is predictable, also yields that are as large (and fast maturing) as possible. These results are achieved by acting on soils, climate, parasites and diseases, weed growth and so on. It can be said that the industrial transformation of agriculture has taken place through the process of appropriation and substitution: Because, as Goodman and Redclift (1991) noticed, different industrial sectors emerged within a broader overarching tendency either to appropriate agricultural processes or to substitute for the agricultural product. Accordingly, “*appropriation*” strategies extend to all actors engaged in the valorization of a particular raw material (adding value to the original agricultural product) that leads to increasing concentration at various points in the value

chain by input suppliers (seeds, chemicals, fertilizer, input packages for genetically modified seeds, etc.) Whereas, “*substitution*” strategies extend to those sectors or activities committed to adding “post farm gate” value to transform the agricultural product into an input and reduce its material and economic participation into the value of the final product.

Through processes of industrial appropriation and substitution, the domain of agriculture is limited; agricultural product transformation activities are appropriated by industry, while products and producers are subjected to processes of substitution. Seemingly, the mode of industrialized agriculture and its one-sided focus on yields by the application of high levels of inputs such as chemical fertilizer and pesticides has contributed to capitalist integration of more farms into agro-industrial production chains. Moreover, this one-sided focus on quantity agriculture has turned farmers into producers of bulk (placeless) agricultural products or of agricultural components to be processed into end products by a processing industry. Consequently, products and components have been large in mass but low in quality. In this process, the lack of quality of agricultural products has been compensated for with the supplementation of food additives.

The aim of the appropriation and substitution strategies is to simplify and standardize the conditions of agricultural production, reducing the variability, obstacles and uncertainties presented by natural environments to farming. In other words, these strategies are intended to increase the level of control on the agricultural production process by the immediate producers.¹ However, it is clear that the success of these

¹ Within a particular literature, new technological progresses and some implications of them are considered as some evidences for revival of "agrarian debate" in its attempt to discuss how specific

strategies is largely contingent upon different rates of industrial transformation on the various nodes of the commodity supply chains including production, processing, retailing and final consumption (Goodman & Redclift, 1991; Goodman, Sorj, & Wilkinson, 1987; Barlow, 1988. ; Wilkinson, 2002). Because technological changes vary according to the commodity in question and according to limitations imposed by the irreducibility of their natural or biological process to industrialization. As commodity chain analysis (Murdoch, 2000) noticed, “within each commodity chain, differing levels and mixtures of technical, natural and economic resources are integrated so that a number of distinctive industrial structures (of which agriculture is a diminishing component) are evident” (p. 409). Within some theoretical reflections, the specific nature of particular commodity chains or the specific re-organization forms of them under appropriation and substitution strategies can be perceived as to a large extent determined by the natural properties of the commodity itself for example whether depending on its perishability or extended shelf life. However in this thesis I will argue that it is not only the natural properties of the commodity itself that are reshaped by industrialization but also that the social determinants of economic and technological change aimed at boosting both physical and labor productivity in addition to lowering the overall costs of production. So this thesis considers the increasing complexity of agro-commodity chains as a variety of social, technical, economic and natural components which are always and necessarily composed in line with particular relations

economics and ecological structures of agrarian production makes agriculture sector unattractive for capitalist penetration. These studies are involved to raise a critical view on the new ways within which corporations can be able to establish control over some limitations imposed by the irreducibility of biological process to industrial transformation. See Bernstein (2003, 2006) for an insightful analysis of agrarian debate.

of power. As will be elaborated later, this analysis is useful to identify the factors which contribute to a product's potential to benefit from geographical indication protection.

The Increasing Complexity of Agro-Commodity Chains

On the other hand, as a result of this industrialization drive, agricultural products can be transported over longer and longer distances with a related increase in their socio-technical complexity that results in the expansion and lengthening of supply chains (Bonanno, Busch, Friedland, Gouvenia, & Mingione, 1994). Thus, products are purchased in countries other than where they are produced, and are purchased from suppliers operating under a diverse range of public safety and quality regulations (Bonanno, Busch, Friedland, Gouvenia, & Mingione, 1994; McMichael, 1994; Coyle, Hall, & Ballenger, 2001). So these changes have made it increasingly difficult for nation-states to regulate standards for safety and quality practices. Moreover, the rapid pace of product differentiation, and the concurrent expansion of quality attributes, has placed considerable strain on government regulatory bodies. The effect is that government regulations are increasingly incapable to keep pace with new developments and changing production practices (Hatanaka, Bain, & Busch, 2005). Both retailers and governments recognize that within this context regulations need to be transnational in scope and applicability if they are to be effective (Marsden, Banks, & Bristow, 2000). Thus, international governmental bodies (to a great extent WTO) and the private sector (to a large extent supermarket chains) arise in standards setting and enforcement (Hatanaka, Bain, & Busch, 2005). Especially, the consolidation of retail industry and the rise of private standards in agricultural sector have led to a shift in responsibility for this task from public to third party certifier bodies (TPC). TPC are "private or public organizations responsible for assessing, auditing and certifying safety and quality claims

based on a particular set of standards and compliance procedures” (Hatanaka, Bain, & Busch, 2005, p.63). TPC become the sole way to enhance the traceability of products then enables producer to enter the markets of industrialized economies more easily.

Indeed, private standards and TPC developed by companies are considered as strategic tools. Nevertheless they are strategically used not only to provide quality and safety assurance to their consumers or to demonstrate to their consumers that their products are superior to those of their competitors. Indeed, they are strategically used today whether it is to gain access to new markets, to coordinate commodity chain operations, to complement their brands, or to define niche products and markets (Hatanaka, Bain, & Busch, 2005). Accordingly, new conventions of quality or legal matters for setting standards or regulation or monitoring of them all become crucial sites of commodity chain constructions. Especially, with an increase in importance of large buyers in global agro-commodity chains, the requirements of large buyers (also retailers or processors) for quality and cost (also certification cost) have raised the level of competence required of producers in the value chain. Quality standards developed by coalitions of private companies or industrial associations have become increasingly important factors in access to marketing channels. Therefore, agriculture no longer produces final products and it loses its links with final consumers. It becomes instead an economic sector producing intermediate goods for the agro- industry. As is well known, the interest in various forms of contract farming has increased considerably in the recent past as a mechanism to coordinate linkages in between farmers and agribusiness firms along the supply chain of particular agro-products (Little & Wats, 1994). In these linkages (through contract farming or third party certification bodies), farmers became dependent on and subject to the demands of the processing industry and then those of

retail corporations whose power steadily increased. Nevertheless, small or medium sized farmers were trapped in a weak position compared to an increasingly concentrated processing and retail industry emerged within a broader overarching tendency either to appropriate or substitute the agricultural processes. Accordingly, their share of the added value of final product decreased over time. In addition to this, the increasing concentration at various points in the supply chains, including input suppliers (seeds, chemicals, fertilizer, input packages for genetically modified seeds, etc.), processors and retailers often results in small holders being excluded from participation. In particular, specific commodity chains come to be dominated by large-scale actors (e.g. multi-national corporations) whose dominance is often expressed as “cost/price squeezes” (Friedland, Barton, & Thomas, 1981; Friedland, Busch, Buttel, & Rudy, 1991). Because, the increase in the prices of fertilizers, seeds, fuel and other input have caused one of the strongest cost-price squeezes in farming at a time where competition makes it difficult for small farmers to boost prices and cover escalating costs. Nevertheless it has important implications for the questions of access to agribusiness value chains for small producers, and also the returns producers obtain from participating in them. It raises questions about market structures, power relations and governance in the commodity supply chains, as well as strategies that can be used to offset this power: such as regional branding, geographical indicators, niche products and alternative marketing channels.

Against squeeze which brings prices down, “localism” was introduced as a form of dealing with economic, social and environmental destructiveness of the dominant industrial model of “placeless” agricultural production. This has led some to call for local actors to engage in “alternative marketing channel” such as engaging in a form of dealing directly with the final consumer or finding alternative ways to communicate

with the consumers to make them aware of the local nature of the product regardless of whether the latter reside in the region or not (Marsden, Banks, & Bristow, 2000; Marsden & Murdoch, 2006; Murdoch, 2000). In that manner, geographical indication can be presented as a way to reach the end of the supply chain through new ways of linking the product with consumer. Accordingly, geographical indications are promoted both as a quality standard and as a marketing tool for opening alternative supply chains and escaping from big retailers or corporations. In addition, it has unique positioning opportunity to capture a high proportion of added value derived from local characteristics. In this way, the explicit reference to place can be perceived as an effective policy to cope with the continual pressure of economies of scale in the production of standardized and simplified products.

Product Differentiation Strategies on the Basis of Localism

The search for promoting geographical indication developed by regional initiatives (including both public and private agents) emerges with reference to “localism” to benefit and profit from the local qualities, characteristics or reputation of the particular location from which the products originate. Within this thesis, localism is contextualized as a site of new opportunities for product differentiation or value-added generation rather than “*a romantic move*” to flourish norms and values ruling out the market logic of globalization. As introduced in the beginning, a body of academic literature has framed the widespread use of geographical indications as sources of resistance against homogenizing effects of globalizing forces.

Nevertheless Goodman and DuPuis (2005) identify a tendency towards an ideal and romantic thinking on localism (*normative localism*) which becomes inextricably a part of the explanation for the rise of alternative and more sustainable rural livelihoods.

According to such premises, the *global* becomes the context of universal logic of capitalism and the *local*, the site of resistance to this global logic. However the focus of this thesis is far from rethinking of localism as a romantic movement toward emancipation from market logic. Rather it tends to rethink the ways within which localism emerged as a powerful strategy for the added value generation opportunities offered by global market place.

By turning the discussion about strategies over added-value generation, it is possible to offer serious challenges to the notion of *normative localism*. As will be elaborated later, the recognition of a GI can be established as a collective intellectual property right over the geographical name of the product, thereby allowing only producers who respect the association of the product to its geographical origin, to use it. As Buller and Moris (2004) observe, “once territoriality becomes a component of value, it also becomes a commodity in itself, to protect and exploit a source of differentially commodified relationships” (p.1078). In addition to this, geographical indications can be examined and registered under a clear procedure and accurate rules wherein a formal group of local actors must be constituted to coordinate negotiations within the supply chain on the characteristics of the product and the production rules; or to control and manage obligatory certification process. In this way, local quality production schemes (Lawrence, 2006) can be seen as a part of restructuring government toward global governance: “the self regulation of individuals and initiatives at the regional level through the acceptance of programs, techniques and procedures that support the market rule and global competition” (p.151). From this point of view, localism appears to be

not so much a strategy of resistance to globalization (and the market rule of it) rather an intrinsic part and parcel of it.²

So, this reflection reveals the need to examine localism strategies or social initiatives behind them through the questioning of added value generation opportunities offered by the global market place. For instance, localism can be considered much a protection of particular places against others, in other words, it can be used as a powerful strategy offered by global market place to foster territorial competition between regions (Goodman & DuPuis, 2005). Although the focus of the thesis is to review localization as a perceived need to revitalize rural economy from the potentially damaging consequences of homogenizing effect of dominant agricultural paradigm, it tries to accomplish this by thinking on the ways in which localization appears not so much as a form of resistance to globalization rather as an intrinsic part and parcel of it. Within this context this thesis aims to promote a critical understanding on the ways that the current expansion of geographical indication labeling globally represents an opportunity to examine new forms of local-global connections in the making. So to put it more clearly, the next part aims to present an analysis on how regional initiatives work (strive) to reinvent markets on the basis of collective property to differentiate their products or to secure and capture the value added.

GI as Collective Property: Organization and Governance of Supply Chains

It can be argued that geographical indications, due to their being the only form of intellectual property related to place or territory, represent a type of “collective property” (Barham, 2003). In contrast to trademarks, patents or any other intellectual

² Goodman and DuPuis (2005) noted that this localization process can be seen as “part and parcel of neoliberal governmentality” (p. 367).

property rights which support the non-local actors, GI is a local group right that is administered or regulated by a government, which determines who qualifies to use the term. The use of the term is available to whoever in the locality meets certain criteria, the determination processes of which are elaborated on in the second chapter. Unlike private intellectual property rights, GIs cannot be sold or delocalized but can only be given to a group of producers or processors meeting certain production qualities within the region (Babcock & Clemens, 2004). Therefore, the recognition of a GI can be established as a collective intellectual property right over the geographical name of the product, thereby allowing only producers who respect the association of the product to its geographical origin, to use it. In addition, as is noted before, a definition of collective rules which includes the definition of the production area, the production norms, and quality practices for the GI was needed to be established. This definition also had to accede to the collective nature of this particular property right (stemming from its association with a geographical name) and to the procedure defined by the national law of the country in which the product is produced. These norms and practices are normally determined by the local actors in the local production system including firms which operate at different stages of the supply chain with the support of local public administrations and development agencies. This potential rests on the economic rent of immobile and unique resources such as land, environment, climatic or traditional knowledge for creating competitive advantages which are inaccessible to producers who are also engaged in competition as non-local actors. These characteristics seem to give local producers a high potential for conducting a collective monopoly through the employment of GI protection. For instance, as the legislation of any GI defines the

geographical boundaries of production, it limits, first of all, land on which production takes place.³

However, the availability of GI does not automatically lead to economic success. Just as there are a large number of useless patents and trademarks, there will be many GIs that do not result in economic return. It is theoretically and empirically evident that geographical indications do not necessarily command a premium for any given product under GI protection. Furthermore, economic benefits are not necessarily distributed equally along the supply chains for any given product (Babcock & Clemens, 2004; Agarwal & Barone, 2005; Galtier, Belletti, & Marescotti, 2008). There may be many agricultural products which continue to be marketed at commodity prices. Even in such circumstances, efforts for the promotion of geographical indication can still operate or act as a collective controlling monopoly in marketing some unique or specific products. Accordingly, the potential of GI in restricting supply and creating barriers to entry in the chain would secure at least a certain amount of market share. That is the monopolistic market power that can be used for anticompetitive ends. In this sense, GI cannot be only a quality scheme, but also a new governance tool for localized production systems. Accordingly, this thesis aims to raise a need to examine some forms of coordination and organization arranged by local actors that play crucial roles to legitimate and perform a given transformation of added value into the economic rent.

The Task of Defining GI Products

Given that the property from which geographical indication derives is employable by a plurality of actors and considering that there is no possibility of individual appropriation,

³ In the Bryden (as cited in Terluin, 2003) theory of immobile resources for creating competitive advantage for rural areas, it is argued that rural areas should base their development strategy on immobile resources which are not open to competition.

the potential for appropriating this rent is closely tied to the ability of local actors to create institutional processes (cooperation or coordination form e.g.) that can regulate the use of GI (Pacciani, Belletti, Marescotti, & Scaramuzzi, 2001). So the notion of “*collective action*”⁴ based on various networks of co-operating producers is helpful in analyzing some forms of coordination and organization to legitimate and perform a given transformation of added value into the economic rent.

If we consider the distribution of potential benefits coming from GI protection, it is clear that possible conflicts between different logics of the involved actors may arise. It is not easy to accept the view that all actors share identical notions of the GI-product. Due to the heterogeneous structure of the local systems and to the power imbalances, different local actors have different expectations from the implementation of GIs. So it is critical to trace the ways in which localization strategies can lead to inequitable consequences and the ways in which these perpetuate and relate to various existing forms of power relations in a given locality. For example, local processors and traders may be interested in the standardization of local production on higher quality levels, in order to reduce transaction, control, and coordination cost. Such a high-quality GI may be utilized by and useful only for the bigger farms and the only processor in the area, acting as a business associate which has high entry fees. In particular, small processors may encounter stronger adaptation problems to GI norms and standards, and hence they may be unable to join it. Very strict norms and standards on the production and processing process reduce the number of producers who will be able to meet them. Thus,

⁴ Theories of collective action imply that individuals under certain institutional arrangements and shared norms can organize and sustain cooperation that advances the common interest of the group in which they belong. See Ostrom (1990) for a detailed discussion of collective action.

such a GI certification chain would be leading a less unfair distribution of the added value inside the supply chain. Consequently, the development of such a GI may be considered as a simple extension of the certification scheme (standardization) to new attributes linked to the environmental characteristic of the production process. However, as is mentioned, as certifications schemes (standards) become globalized and designed by the downstream part of the commodity supply chains, they tend to raise barriers to entry and erode price premiums for local producer. So the developments of GI on the basis of standardization may act only as a certification scheme of industrial standards and reinforce a less unfair distribution of added value along the local supply chain. In that manner, the inclusion of the collective and local dimensions in the definition of the collective rules of production mentioned above is crucial for GIs' potential to revitalize rural areas by improving economic returns to small and medium-sized farmers.

Indeed, the possibility of making rules linked to a specific context and determining the specificity and uniqueness of the related product qualities may offer some important opportunities to the establishment of GIs compared to other processes or product certification schemes. As noted by Daviron (2002), although some certifications may provide substantial benefits for producers, power relations may remain essentially unchanged or perpetuate if producers are still on the receiving end of key decision-making processes. For that reason, I argue that the GI application procedure become a collective learning or decision making process integrated in a more comprehensive strategy elaborated by local actors in order to valorize the product and local resources involved in its production process.

Indeed, the attempts to differentiate products and to secure added value process are not necessarily smooth or problem-free. In fact, they are substantive political

arguments that reflect different interests, agendas, and values. As discussed in the previous section, powerful actors within the production–consumption chain have the capacity to manipulate the definition of GI, thereby creating difficulties for local producers who wish to differentiate their products and secure added value (Ilbery & Kneafsey, 2000). For instance, Gereffi (1994) indicates buyer-driven chains that occur in industries in which retailers, designers, and trading companies are fundamental to perform the lead coordinating role and shape the barriers to entry in the chain. For that reason, in order for this strategy to be effective, it must be carried out not only within the territory of production but also it must be nested within multiple levels of coordination from the local to the global (Ostrom, 1990). The global level involves the political, institutional, and regulatory global context in which geographical indication protection operates. The local level is concerned with the local/regional context in which GIs take shape. I consider that the larger context constrains local action but also, by providing new opportunities, it allows for local maneuvers and interactions at the local level.⁵

I wish to conclude with a brief summary of the possibility of product differentiation or value-added generation through use of geographical indications. The possibility of activating networked forms of coordination and organization based on any GI depends on how strong the association or link between the product and the local community is. This possibility is further dependent on the nature of the product as influenced by the level of elaboration, the characteristics of the production process, the marketing channels allowed by the nature of the product, the primary processing

⁵ So, it is for that reason that the localism debate should be examined together with the larger debate over devolutionist forms of governance. Because existing or new multi-layered institutional structures developed or perpetuated by local groups to make inputs to development of GI have been increasingly contributing some forms of governance structure or self governing projects to manage quality in a particular product chain (Goodman & DuPuis, 2005)

required, the impact on the landscape, climate and environment as well as the structure of the supply chain (Pacciani, Belletti, Marescotti, & Scaramuzzi, 2001). It should furthermore, be added that it is not the institutionalization of the resource origin itself that sets the conditions for development. Instead, Bramley and Kirsten (2007) argue that “it depends on how this process is developed and on the effectiveness of the valorization strategies built upon it” (p.85). Indeed, GI products are a basis on which it is possible to create networks of cooperating producer through collective processes aiming at promoting a region as a whole. So the co-ordination and cooperation of producers, the governance of quality, the institutional organization of the supply chain are not only the pre-requisite for the recognition or granting of that legal protection to a GI, rather they provide a secure ground on which it becomes possible to build institutions and policies elaborated by local actors in order to valorize the product and local resources involved in its production process. Needless to say, an effective protection of a geographical indication depends largely on whether or not there is a legislative support in force/in operation that prevents the production of such a local product from spreading to other countries, leading to a change in the product status from niche to generic. Accordingly the next chapter will focus on the institutional support both at national and international level crucial for developing a GI and maintaining it in the long run.

CHAPTER 3

OVERVIEW OF THE LEGAL DEFINITIONS OF GI: A DISCUSSION ON INTELLECTUAL PROPERTY AND AGRICULTURE

Geographical Indications are collective intellectual property rights over certain products which correspond to a specific geographical location or origin. Unlike other categories of intellectual property right, i.e. patents and trademarks, there is no general definition accepted on a global scale for geographical indications. Different terminologies are used to name the products that are associated with certain place of origins, in different countries. These terminologies are appellations of origin, indications of source, designation of origin and etc. Obviously, the attempt to define geographical indications necessarily includes a discussion about the different regulations and agreements on protection. Accordingly, in this chapter I will focus on the history of geographical indications as well as examining the contemporary situation of the GIs. The chapter will be an attempt to understand the current debates on geographical indications by examining a variety of national laws and a wide range of legal instruments including trademark. Finally, in the conclusion part of the chapter, I will examine the content and potential of the legal tools adopted to protect geographical indication by reflecting on the ways in which various characteristic of each legal tool generates different concerns and interest. I think that this discussion is important to understand how Aegean cotton GI protection is shaped by the existing GI applications and practices both on the global and local level.

International Agreements Relevant to the Scope and Protection of GIs

Geographical Indications is not a new concept. GIs are used in identifying and/or defining a product throughout the history. In some countries, geographical indications have been recognized under specific legislative provisions and are owned by the government. Producers register for the GIs, based on terms and criteria set up by the government. However, the protection of geographical indications under intellectual property rights has its origins in international agreements. The most significant of these agreements are the 1883 Paris Convention on Intellectual Property, the 1891 Madrid Agreement on Indications of Source , 1951 Stresa Convention for the Use of Appellations of Origin and Denominations of Cheeses, the 1958 Lisbon Agreement on Appellations of Origin, The 1994 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

The first efforts to adopt a common approach to intellectual property resulted in the Paris Convention on the Protection of Intellectual Property. It was the first multilateral agreement, which included “indications of source or appellations of origin” as objects of protection.⁶ Although, it identifies the indications of source or appellations of origin as separate intellectual property rights, the convention did not clearly define these two concepts. An indication of source, in general, refers to the geographical place of origin only. As is in the case of the label: “Made in Turkey”. In such a case, there is no need to attribute any quality to the product with regards to its place of origin. Paris Convention gives the basis for protection against misleading indications of source. Accordingly, if the concerned product does not originate in the territory indicated,

⁶ Article 1(2) of the Paris Convention states that the protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellation of origin, and the repression of unfair competition (WIPO, 1971).

indication of source would mislead the public. So it obliges members to provide protection against unfair competition. On the other hand, Madrid Agreement was the first multilateral agreement to provide specific rules for the repression of false and deceptive indications of source. Although, it did not add much to the protection already given by the Paris Convention, it extended protection to deceptive indications of source in addition to false indications. It provides for protection against deception and orientated towards consumer protection that in turn protects the interest of the producer.

Stresa Convention of 1951 applies specifically to cheeses. It concerns the use of designations of origin and the names of cheeses. European cheese-producing countries agreed to create a uniform definition of "cheese" to facilitate international trade.⁷ And, names and origins of a selected group of valued traditional cheese were protected by law. There were two main categories in protecting these cheeses: *Annex A*- list for the protection of the origin, *Annex B*-list for the protection of characteristic. A few cheeses, including Gorgonzola, Parmigiana Romano, Pecorino Romano and Roquefort, are given absolute protection—the cheese cannot be made outside of its designated region (*Annex A*). A second group of cheeses may be produced in nontraditional areas, but must clearly be labeled with its region of origin (*Annex B*). Asiago, Camembert, Cambozola, Danablu, Edam, Emmental, Esrom, Fiore Sardo, Fontina, Gruyère, Pinnzgauer Berkäse, Samsöe, and Svecia are the examples of this second group.

The 1958 Lisbon Agreement provided a definition of “*appellation of origine*” and extended the scope of the protection. *Appellation of origine* is defined as “the geographical name of a country, region, or locality, which serves to designate a product

⁷ The signatory countries are Austria, Denmark, France, Italy, Netherlands, Norway, Sweden and Switzerland.

originating therein, the quality and characteristics of which are due exclusively or essentially to the geographic environment, including natural and human factors”. Three elements constitute the notion: (a) appellations must be direct geographical names; (b) the appellation must serve as a designation of geographical origin of the product; (c) quality and characteristics exhibited by the product must be essentially attributable to the designated area of geographical origin (Babcock & Clemens, 2004). Examples of protected appellations under the Lisbon Agreement include ‘Bordeaux’ for wine, “Noix de Grenoble” for nuts, “Tequila” for spirit drinks, “Bordeaux” for wines and ‘Jaffa’ for oranges (World Intellectual Property Organization., 2001). It is the oldest of the European label of geographical indication and is widely regarded as the most strict and thoroughgoing of its kind in three main ways.⁸ First, Article 3 broadens the protection to any usurpation or imitation, even if the true origin of the product is indicated or if the appellation is used in translated form or accompanied by terms such as “kind”, “type”, “make”, “imitation”, or the like. Second, it extends protection against deeming GIs generic to cover all products. Third, the treaty treats GIs as superior to trademarks and provides in Article 5(6) a two-year phase out for prior trade marks conflicting with a newly registered geographical indication (Babcock & Clemens, 2004).

There are two basic requirements for an appellation of origin to be protected legally. Firstly, the appellation of origin should be protected in its country of origin but countries are free to adopt their own system either by judicial or administrative decision or both. Secondly, the appellation of origin should be registered in the International Register of WIPO. GIs that are ‘recognized and protected as such in the country of

⁸ The system used in France from the early part of the twentieth century is known as the appellation d'origine contrôlée (AOC). See Barham (2003) for a detailed discussion on AOC.

origin' may be registered at the International Bureau of WIPO, and, once registered; the GI is protected in all member countries.

There are twenty five members of the Lisbon Agreement by 2008, with six EU Member States, namely France and Portugal (1966), Hungary (1967), Italy (1968), Slovakia and Czech Republic (1993) and only they had in fact registered appellations of origin. France accounted for 66.3 percent of the registrations, and France together with five other member states (Czech Republic, Bulgaria, Slovak Republic, Hungary and Italy) accounted for 94.3 percent of all registrations.⁹ The Lisbon agreement has been identified by several researchers as the major breakthrough of a strong association between quality of a product and its area of origin (Folkesson, 2005). It is argued that the Lisbon Agreement, because of the strong specialization in certain products by certain countries, plays a crucial role in developing a tradition of GI protection and it promotes the demand of such products by the European consumers.

It promotes the specialization within product categories and regions on the basis of the quality of specific products that stems mainly from the area where it was produced. For example, France holds 74 percent of the cheese, 81 percent of the wine, and 82 percent of the spirit appellations and the Czech Republic accounts for 93 percent of the appellations in beer and malt (Folkesson, 2005). According to Rangnekar (2004), the data on the GI protection in the EU offers examples to regional specialization of the product categories and to the rising regional competition in relation to regional specialization.

⁹ As of December 31, 1999, only 50 of the 835 appellations originate in developing countries (Folkesson, 2005).

The WTO Regime of GIs: Agreement on TRIPS

Additional efforts to harmonize the different approaches and standards with regards to GI registration took place under the auspices of the World Intellectual Property Organization (WIPO). WIPO organized a number of symposia on the issue. And, in 1975, it prepared a draft for an international treaty and a Model Law for the protection of geographical indications. The Draft Treaty provided for the protection both of “*appellations of origin*” and “*geographical indication*”. The Model Law defined “*appellation of origin*” as “the geographical name of a country, region, or specific place which serves to designate a product originating therein, the characteristic qualities of which are due exclusively or essentially to the geographical environment, including natural factors, human factors, or both...; any name which is not that of a country, region or specific place is also considered a geographical name if it relates to a specific geographical area, when used in connection with certain product”. The Model Law also defined “*indication of source*” as “any expression or sign used to indicate that a product or service originates in a country or region or a specific place”. This would embrace symbols such as Eiffel Tower or any other symbols associated with a place.

In 1990, WIPO issued a memorandum arguing that there is still a need for a treaty on this subject. The basic concepts developed under these agreements have been incorporated into the World Trade Organization's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) recently. The notion of geographical indication is closely linked to the previous WIPO treaty based instruments of protection, notably “*indications of source*” (under the Madrid Agreement) and “*appellations of origin*” (under the Lisbon Agreement). However, it was pointed out that the “separation of “*indications of source*” and “*appellations of origin*” was a false dichotomy and that a

narrow focus on denominations that were direct geographical names' was biased against other denominations (Rangnekar, 2002). Accordingly, TRIPS Article 22.1 defines "*geographical indication*" more broadly as: "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin". This definition contains a controversial application shaped by the pre-TRIPS discussions at international level, especially at WIPO. According to Rangnekar (2003), there are three different points in understanding this controversy:

1-GIs under TRIPS refer explicitly to indications which identify a "good", whereas earlier treaties (Madrid and Lisbon Agreements) focus on "products". This difference between "goods" and "products" has implications on the subject matter protected, i.e. whether services are included or excluded.

2- GIs are indications pointing to the "geographical origin" of a product of a given country, region or locality, whereas "appellations of origin" must necessarily be geographical names of countries, regions or localities. Thus, not only iconic symbols but also script or language that imputes geographical origin are permissible. Finally, as noted above, GIs can be denominations that are not "direct geographical names", such as Indian Basmati Rice.

3-And lastly, "reputation" is an additional element along with "given quality" and "other characteristics" to constitute the notion of GI. This goes beyond the Lisbon Agreement's exclusive focus on "quality and characteristics" of a product¹⁰. In other

¹⁰ Because products that have a certain 'reputation' but no specific quality attributable to their place of origin would remain outside the notion of appellations of origin under Lisbon Agreement (1958).

words, under the TRIPS Agreement, “reputation”, “quality” and “other characteristics” are each in their own right a sufficient condition for the grant of a GI.

In 1994, when negotiations on the TRIPS were concluded, governments of all WTO member countries¹¹ had agreed to set certain basic standards for the protection of GIs in all member countries. There are, in effect, two basic obligations on WTO member governments relating to GIs in the TRIPS agreement. Article 22 of the TRIPS Agreement says that “all governments must provide legal opportunities in their own laws for the owner of a GI registered in that country to prevent the use of marks that mislead the public as to the geographical origin of the good. This includes prevention of use of a geographical name which although literally true “falsely represents” that the product comes from somewhere else.” Article 23 of the TRIPS Agreement says that “all governments must provide the owners of GI the right, under their laws, to prevent the use of a geographical indication identifying wines not originating in the place indicated by the geographical indication. This applies even where the public is not being misled, where there is no unfair competition and where the true origin of the good is indicated or the geographical indication is accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like. Similar protection must be given to geographical indications identifying spirits.” Finally, Article 24 of the TRIPS provides a number of exceptions to the protection of geographical indications that are particularly relevant for geographical indications for wines and spirits.

Even while the TRIPS Agreement has made important advances in developing the notion of GIs, the scope of application of the notion is circumscribed by the explicit hierarchy of protection (Rangnekar, 2002): TRIPS mandates a two-tiered model of

¹¹ There are 151 member countries in August 2007.

regulation, giving enhanced protection to wines and spirits but leaving the legal means of protection to national governments for other agricultural products and foods. Wines and spirits enjoy three additional elements of protection: firstly, the protection is “absolute” and prohibits the translation of GIs or the attachment of expressions such as “kind”, “type”, “style” or “imitation”; secondly obligation to refuse or invalidate the registration of trademarks which constitute or consist of GI (Article 23); and thirdly, obligation to enter into negotiation to increase protection (Article 24). According to Evans and Blakeney (2006) , the two-hundred-year campaign of the French wine and spirit industry for comprehensive international protection (especially confined with the history of the Lisbon and Madrid Agreements) against imitation and counterfeiting records was ultimately realized in Article 23 and 24 of the TRIPS Agreement.

Indeed, the existence of a double system for the protection of GIs is considered discriminatory. Because, many developing countries, even those with well-known GIs, have failed to secure “additional protection” for their products (other than wines and spirits) under the TRIPS Agreement. Instead, ironically, they are obliged to provide a higher level of protection for wines and spirits.

In the Doha Development Round of WTO negotiations, objections against the discriminatory structure of the TRIPS were addressed and TRIPS has become a source of controversy regarding the evolution of geographical indication protection on the international and national scale (Echols, 2003). WTO member governments are negotiating on the creation of a “multilateral register” of geographical indications. Some governments participating in the negotiations (especially the European Communities) wish to go further and negotiate the inclusion of GIs on products other than wines and spirits under Article 23 of TRIPS. These governments argue that extending Article 23

will increase the protection of these marks in international trade. This is a controversial proposal, however, that is opposed by other governments including the United States who question the need to extend the stronger protection of Article 23 to other products. They are concerned that Article 23 protection is greater than required, in most cases, to deliver the consumer benefit that is the fundamental objective of GIs laws. Naturally, questions arise as to the applicability and effectiveness of widening the scope of application of higher-level GI protection. Yet, WTO Members are as divided over their capacity to take advantage of GI protection no less than they are as to the means of regulation. To date, it is seen that no ready solution to the further global harmonization of GIs has been found (Evans & Blakeney, 2006).

Nevertheless, after the introduction of the General Agreement on Tariffs and Trade (GATT) in 1994, a long-standing struggle between the European Union and the United States has been intensifying. Other countries have aligned themselves with either the EU or the US in this debate (World Intellectual Property Organization., 2001; Barham, 2003). Rangnekar (2002) claims that the adoption of the Agreement on Trade Related Aspects on Intellectual Property Rights (TRIPS) in 1994 marked an important victory for the European approach by founding general minimum standards for Geographical Indication protection for all of its signatories.

The EU /US Dispute on GI and Intellectual Property Protection

Since in Europe there has been a tradition of associating certain food products with particular regions, geographical indications have long been associated with Europe as an entity. Under European Union Law (*EEC Regulation No. 2081/92*), the protected designation of origin system which came into effect in 1992 regulates the following two types of geographical indications: *Protected designation of origin (PDO)* and *protected*

geographical indication (PGI). *PDO designation* means that “the product is produced, processed, and prepared within the specified geographical area, and the product’s quality or characteristics are “essentially due to that area.” Whereas *PGI designation* means that “the product is produced, processed, or prepared in the geographical area, and the quality, reputation, or other characteristics are attributable to that area”. The geographical link is thus stronger for the PDO than for the PGI. In the case of the latter the raw materials can come from another region than that of the production.

The European Commission see GIs as a means of changing from quantity-based to quality-based exports by creating a system that will allow consumers to recognize and pay (more) for high-quality products produced usually by traditional raw materials and/or methods and only within the regions with which the products originally were associated (Babcock & Clemens, 2004; Evans & Blakeney, 2006). In Europe, a community-wide system for their registration is considered an indispensable part of agricultural policy, serving both to preserve the incomes of small to medium-size producers and to sustain the rural economy. This is considered to be a part of the new Common Agricultural Policy (CAP) in Europe, where focus has shifted from production of large quantities of bulk commodities, to production of high quality, high-value added products. By guaranteeing to the farmers that their high-quality products will be able to be recognized by consumers, the farmers can also shift their production from production of bulk commodities, and hence the negative impact of industrialization would be diminished (Folkesson, 2005). The European Commission’s deployment of GIs as a means of sustaining the viability of small farming and rural communities provides developing countries with a possible regulatory model. In a successful attempt to export this model, Community and its developing country supporters continue to work towards

increased protection for GIs in respect of agricultural products, foodstuffs, and handicrafts (Echols, 2003; Evans & Blakeney, 2006).

As a part of the current WTO negotiations, in June 2005, the European Union submitted a radical proposal to revise the TRIPS Agreement to provide a multilateral system of registration and enforcement for the GIs. The E.U. proposal was an attempt to establish a register of GIs protected across international boundaries. The second part of the proposal was to extend the higher level of protection already provided for wines and spirits (under Article 23) to include other products. The third part of the proposal was to allow WTO member countries to retrieve or “claw back” GIs currently being produced as unprotected products in other countries” (Evans & Blakeney, 2006). The European Union has identified forty one products¹² that individual E.U. countries wish to retrieve by establishing exclusive-right use of the product names (Babcock & Clemens, 2004). Many of the products that individual countries want to retrieve and register as GIs are being produced as generic products in other countries (i.e. feta cheese, basmati rice). If they achieve the full range of protection they are seeking, many U.S. producers and processors could no longer use many product names currently treated as generic.¹³ In some countries opposing extension, such as the US and Canada, certification trademarks allow a diverse range of GI goods to be protected, including Darjeeling tea, Stilton cheese, Swiss chocolate, Ceylon tea and Florida oranges. Nonetheless, the regulations in these countries also allow expressions such as “style”, “kind”, and “American-grown”,

¹² See Babcock (2004) for examples of filed or registered U.S. trademarks that use the same or similar names as the forty one products proposed for WTO protection as geographical indications by the European Union.

¹³ For example, Feta Cheese has been produced in several places in Europe for a long time. If full range of protection is achieved, only Greece will have the right to use the name and label of feta cheese. It will be illegal in other countries to name their cheese which is known to be Feta cheese, as Feta or Feta style.

which dilute the GI and raise the risk of reclassification as a generic, as has happened with basmati¹⁴. Perhaps because of this, the EU proposal includes a “claw back”.

Accordingly, the majority of ‘*New World*’ Members, led by the United States, including Australia, Canada, and Argentina, oppose the creation of a mandatory multinational system of notification and registration of geographic indications for wines and spirits, or for any other products. They prefer to rely on the current system and on trademarks. According to Evans and Blakeney (2006), the costs of implementing a mandatory system of registration and expanded protections and the conflicts resulting from the trademark/geographical indication interface are the two main reasons behind their opposition to the creation of a mandatory system.

The cost of modifying existing intellectual property systems or developing new systems to accommodate a GI register has been mentioned in several submissions to the WTO. Serious doubts were raised over the ability of developing countries establishing and maintaining the institutions or their cost necessary for additional GI protection. However, members are already obliged to provide legal means for interested parties to prevent misleading use of GIs products for wines and spirits. Consequently, as Rangnekar (2002) argued, extending strong GI protection to other products should not involve any significant additional administrative burden. Members might exploit possible cost variations associated with different options, such as a government-run administrative system or alternatively a juridical system.

¹⁴ According to Subramani (2002), such a debate was initiated by the 1997 grant of a US patent on a Basmati rice to RiceTec. The patent stated that certain basmati plant and grain characteristics were not dependent on the growing environment. This attempt was challenged by the Indian government to establish a rule that would prevent US grown rice from being advertised with the word “basmati”. Neither the US Department of Agriculture nor Federal Trade Commission considered the labeling of rice as ‘American-grown’ basmati misleading, moreover, both authorities deemed ‘basmati’ a generic term.

The United States' resistance to a global registry is a result of her desire to preserve the status quo in the "generic" names. Various American corporations have invested in promoting trademarks that originate from certain geographical names. Indeed, the effect of adopting a system of geographical indications at the global level is immediately troubling for many corporations in the US. America or other countries that experienced heavy European immigration (including Canada and many countries in Latin America) applied pre-existing European place names for their trademarks such as Basmati rice and Budweiser beer (Barham, 2003). In the US and some other countries, such place names have been treated as generic names for certain types of products¹⁵. However, the establishment of a global registry of place names will allow their use only on products coming from a single geographical region. Hence, this will have an important impact on a number of labels currently in use and on the trade position of these products. Thus, a key challenge has emerged due the priority between a coexisting GI and a trademark (Evans & Blakeney, 2006).

In some countries, geographical indications are considered so important that even a geographical indication whose use arises after a conflicting trademark is registered and becomes well known, can be used to cancel the registration and prohibit the use of that trademark or, at least, to continue the coexistence. However, Echols (2003) says that food exporters in the United States, in Japan, and in the countries with similar views argue that geographical indications should not be accorded legal precedence over trademark rights and should neither impose an enforcement obligation

¹⁵ For instance, Budweiser beer has been made in both the United States by Anheuser- Busch and Czech Republic by Budweiser Budvar. The later lays claim to the title of the "original" Budweiser beer producer. Budweiser in United States is the number one selling beer in the world, reflecting years of significant expenditure. It is easy to assume that Anheuser-Busch would relinquish the European name with the extension protection of GI at WTO. And it is relevant for many other corporations worldwide which find themselves in similar situations.

on other countries nor provide a defense to a charge of infringement of prior trademark rights.

In general, the debate over the status of the GI as a special kind of intellectual property plays a crucial role in the US opposition to a global registry of protected place names. On a deeper level, the geographical indications as a form of collective ownership challenge the law, culture and economic logic of intellectual property rights based on individual ownership (Barham, 2003). The trademark is a way of protecting the intellectual property associated with a business name. Trademarks can be bought and sold as a business asset. If there is a deceptive use of the product name, it is up to the individual or corporation to defend their rights to the name before a court of law (Barham, 2003). However geographical indications “belong” to the region itself and are only administered by state governments. Individual producers within territories covered by geographical indications cannot buy or sell the rights to the name of the territory, as they can with trademark names. They can not move their production to another region. Nevertheless, corporations might move the production of a trademarked item yet retain the trademark name. In this respect, GIs cannot be sold or delocalized and can be only accessible to the producers within the specified region of origin.¹⁶ If producers are located in a territory that is protected by a geographical indication, they are not obliged to use the name in their product labeling. In fact, they are only allowed to do so if they follow the requirements for certification. In the case of deceptive use of the name, it is the state that intervenes particularly at the international level. As Barham (2003) shows, this is important for small-scale producers who may not be able to afford costly legal battles in the international level.

¹⁶ It should be note that individual companies are generally allowed to add their own “sub-brands”.

On the other hand, trademarks (or patents) are private intellectual property rights to reward individual inventors with monopoly use of new knowledge. However geographical indications usually are not new contributions instead they are most often linked to old knowledge with its cultural perceptions and ways. They usually involve smallholdings, old techniques and rural regions. In that sense, geographical indications are closer to the traditional forms of knowledge. In contrast, many trademarks and patents are operating through the promotion of new forms of knowledge and inventions. In agriculture, the notion of intellectual property exhibits both the aspects of new and old knowledge. For example, newly developed seed types, pesticides, chemicals or other inputs used in processing the products are being protected by patent rights. The economic and social outcomes of these intellectual property rights are discussed in the developed countries. On the one hand, such patterns lead to the emergence of a consolidation under the domination of a couple of powerful actors within the input supply chain. Due to the rising input costs, cost-price squeezes confront farmers in developing countries. On the other hand, it is argued that such patterns pose some threats against socio-economic conditions of rural people as well environment such as, farmers' right to save and use seeds and consumers' right for safe and healthy food, bio-piracy, biodiversity, traditional crops and food sovereignty.

However, traditional knowledge or local product protection start to be traded off by developing countries against the interest of industrial countries to expand absolute level of protection for patents or trademarks in the TRIPS (Folkeson, 2005). As a result, WTO (notably Doha Round) has been considered as a supreme forum for seeking ways to regulate the protection and to promote a discussion on the relationship between new or traditional knowledge. However, the nature of the negotiations also shows that the

main issue is not limited to intellectual property protection. This issue is the part of an ongoing effort to support diversification in an increasingly competitive agriculture. And, intellectual property is able to capture merely a small part of the problem.

As is mentioned, in the EU, the issue of GIs is closely tied to the agricultural policies. According to Babcock and Clemens (2004), the objective of EEC Regulation No. 2081/92 governing protection of GIs is to "...add value to certain specific high-quality products from a demarcated geographical area in order to promote, in a rural development context, the diversification of agricultural production" (p.9). Since 1992, quality rather than quantity has been the focus of agricultural policies in EU. As is discussed in the first chapter, subsequent to the continuing problems faced by small or medium sized farmers in the production and marketing of standardized agricultural products; traditional values and knowledge have been considered to be important or special in developing countries. This explains why the expanded protection on the GI remains at the heart of the negotiations on agriculture.

GI is usually identified as a potential tool to contribute to rural development which will protect biodiversity, preserve local culture, protect traditional knowledge and capture a high proportion of the added value. However it is obvious that legal protection of GI does not necessarily in itself contribute to non-trade concerns such as preserving biological and cultural diversity and traditional knowledge and lifestyles. As is seen, the discussions that take place in the WTO on the extending the scope of the GI protection are shaped around the policies that put an end to unfair competition, and prevents the misleading of the consumers. To put it briefly, these policies are within the framework of regulation of local agricultural product trade. The emphasis, however, is not on the non-trade concerns. It is obvious that the discussions and policies at the national and

international levels shape and determine these interests and concerns. Therefore, in the next section, I will examine the national context in order provide a healthy discussion to understand the interests and concerns organized around Aegean cotton.

The Protection of Geographical Indication in Turkey

In Turkey, geographical indications are protected under the Decree Law No. 555, which was introduced in 1995. The decree laws were adopted in rush in 1995 to meet the EU standards. Customs Union obliged Turkey to introduce basic jurisdiction of intellectual property rights since the adoption of new intellectual property legislation during the European Customs Union membership process in 1995 (European Commission, 2006). This decree was strengthened by the law of 6 October 2003, which led to the creation of the Turkish Patent Institute. This new law defined two distinct types of geographical sign: *protected appellation of origin* (PDO -menşe) and *protected geographical origin* (PGI-mahreç). The definitions of these types corresponds *EEC Regulation No. 2081/92*. Protection of geographical indications, as well as patents, trademarks, designs and integrated layout designs are within the competence of *Turkish Patent Institute (TPI)*. Protection of GI is conducted by registration and it covers all products in addition to wines and spirits.

By 2008, there are 109 registered GIs and there 142 GI applications waiting to be approved. Indications under protection is including several handicrafts (Kütahya Çinisi, Devrek Bastonu, Damal Bebeği, Yağcıbedir El Halısı, Rize Bezi), local foodstuffs (Kayseri Pastırması, Adana Kebabı, Şanlıurfa Çiğ Köftesi, Afyon Sucuğu, Mersin Cezeryesi, Kemalpaşa Tatlısı, Çorum Leblebisi), cheese (Erzincan Tulum Peyniri, Ezine Peyniri, Edirne Beyaz Peyniri) olives (Gemlik Zeytini, Ayvalık ve Edremit Zeytinyağları) and fruits, vegetables and other agricultural products (Anamur

Muzu, Finike Portakalı, Diyarbakır Karpuzu, Antep Fıstığı, Ege Pamuğu, Aydın İnciri, Çelikhhan Tütünü, Maraş Biberi, Şanlıurfa Biberi, Mut Kayısı) and spirits (Türk Rakısı). On 15 October 2007, Turkey passed an amending law of Decree Law No. 555 for the protection of GIs to simplify application procedures, reduce registration costs in order to increase the number of applications for GIs before the Turkish Patent Institute.

The individuals, who have the right to apply to Turkish Patent Institute for GI, are defined as the following: 1-natural or legal individuals who are producers of the product, 2-consumers' associations, 3- public institutions related with the product or the geographical region. Once is registered, the protection is unlimited if sufficient monitoring reports are submitted every ten years. Monitoring is carried out according to rules that are described in every designation of the origin's registry. The actors or institutions that are registered for the GI of a certain product define the features and production conditions of that product and have the right supervise and monitor the production processes. Therefore, it is important to have a look at the actors and institutions that are registered for the GI.

As I have mentioned above, according to the GI law, individual producers also have the right to apply for GI. I have mentioned that GIs are a collective property right and are registered by a group of producers within a specific locality. However, in Turkey, thirty individual producers have registered some local products that are associated with certain geographical areas under their own names. For instance, the Anamur Banana or carpets of Bergama-Hereke are registered by private individuals and corporations. Tekelioğlu and Demirer (2008) state that the EU Commission asked Turkey to make the necessary legal regulations that will enable group of producers to apply for GI registration instead of the single producers. A draft law, equivalent to the

legislation adopted in the European Community through Council Regulation, is in preparation in order to implement a new protection system for traditional specialty guaranteed products and make some changes regarding the geographical signs.¹⁷

It is not difficult to say that, after the required legal regulations, even if the GIs registered by the individual producers are cancelled, the practical obstacles in front of the actual producers groups will not disappear. Because, according to the information provided by Turkish Patent Institute in 2009, there are much more GI applications made by the trade organizations than actual producers. According to the statistics of 2009, thirty of the GI products are authorized by individual holders (corporations) and there are twenty nine GI products authorized by trade organizations. It means that traders hold the 60 percent of the GI products (60 percent of the GIs authorized until now, belongs to traders)¹⁸. According to my research, there is no attempt of the actual producers to found a cooperative or association and to file an application for registration of their products in Turkish Patent Institute. There are only ten GI products registered by preexisting producers' cooperatives and unions. This might be a result of the social, economic and political structures in local regions which are in favor of the traders, not of the actual producers. This has resulted in the widespread use of GIs by local or national traders, trade organizations including mercantile exchanges, chambers of commerce and other processors and traders' groups.

Unlike the EU regulation, traders, dealers, consumers and governmental agencies are permitted to act as the proprietors of the GIs in addition to the actual producers.

¹⁷ This domestic law, as stated, will be equivalent to the legislation adopted in the Community through Council Regulation 510/2006 of 20 March 2006 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs (Tekelioğlu & Demirer, 2008).

¹⁸ The complete list of geographical indicators is presented in the appendix A.

Again, different than the EU, in Turkey GI protection is not oriented towards empowering smallholdings or local actors. For instance, it does not encourage the developments of networks that would provide technical, financial or informational resources and that would enhance co-operations or associations among the local actors. It is evident that the practice of national GI protection neither focuses on the sustainability of actual rural producers nor on the traditional knowledge systems. Its main focus is against the unfair ways of competition and unfair or deceptive acts or practices in trading the GI products.¹⁹ In the EU, the GIs which are seen as strategic tools in applying the agricultural policies are also taken into account in relation to more social, cultural and environmental interests. However, the GI application in Turkey is mainly related to the regulation of trade. As I will discuss in the last chapter, the example of Aegean cotton supports the argument above. The final chapter aims to provide an insight in understanding why Turkish traders play an active role in the GI registration for specific products. However, before discussing this, in the following part, I want to discuss how the extension of protection in the WTO affects the interests of Turkey.

Turkey's Proposal for the Extension of GIs in TRIPS beyond Wines and Spirits

Turkey is one of the main supporters of the EU's campaign for GI extension. Prior to the Seattle Ministerial, a submission by Turkey of 9 July 1999 proposed the extension of GIs in TRIPS beyond wines and spirits (Evans & Blakeney, 2006; Echols, 2003).

¹⁹ I think that there is an over emphasis on protecting the interest of the traders when compared the interest of the actual producers of the GIs products. However, there is no empirical evidence to prove this. As is noted, there are no field researches on the impacts of the GIs in Turkey. Hence, this is the first research conducted on the GIs in Turkey. Nevertheless, as I will present below, extract from the database of Turkish Patent Institute may be considered as empirical evidence on the GIs. In addition, TMBB (2008) provides important insights to understand the legislative framework of GIs protection in Turkey.

Endorsing this proposal an African group of countries, including Kenya, Nigeria and South Africa, requested that the protection of GIs be extended “to other products recognizable by their geographical origins”, notably agricultural, food, and handicraft products. This proposal was also adopted by Cuba, Czech Republic, Dominican Republic, Honduras, India, Indonesia, Nicaragua, Pakistan, Sri Lanka, and Venezuela (Evans & Blakeney, 2006). Like EC, The Turkish state policy tries to benefit from GIs as a means of changing from quantity-based to quality based exports by adding value to products to make them marketable in niche markets.

The protection of GI or other origin based products in alternative marketing channels involved in Europe advanced to replace (or compensate) production-based subsidies to farmers with an instrument that would facilitate their ability to compete in international commodity market. EU has confirmed it is ready to move on the elimination of the most production-based subsidies which seeks to encourage farmers and institutions to continue to focus their energies on finding ever-cheaper ways to produce more or set price low, much like the United States has done with its premium payments or export subsidies.

Turkey has entered into a joint development agreement with EU through CAP. As is known, the input-credit subsidies provided by the developing countries including Turkey to their producers were to be prevented with structural adjustment programs implemented by IMF and World Bank sanctions. As a result of this paradigm shift with regards to the agricultural policies in Turkey, the GI is considered as an effective tool to create a more diversified but profit-oriented agriculture. The realization of this has led to a call for the extension of protection of agricultural products, textiles and handicrafts as the protection of wines and spirits. However, it is seen that non-trade concerns over GIs

protection (preserving traditional knowledge or biodiversity) are not comprehensively included in the Turkish State agenda. However, in the European case, GI (especially *appellation de origine* system) would allow consumers to recognize and pay a premium for high-quality products produced by traditional raw materials and methods in the regions the products originally associated. However, as is noted above, in the Turkish context, the main focus of the GI protection is against the unfair methods of competition and against the unfair or deceptive acts or practices in trading the GI products. The GI protection is to a large extent perceived as a legal basis to prevent consumer deception and unfair competition deriving from uncontrolled use of geographical names.

CHAPTER 4

AEGEAN COTTON GI: EFFORTS TO PROMOTE A NEW COTTON MARK

This thesis, first of all, provides an overview of the economic rationale behind Geographical Indicators (GIs). More specifically, it explains how the economic principles of GIs protection and their key functions for product differentiation and added value generation opportunities can be perceived as effective policies in dealing with the continuous pressure of economies of scale in the production of standardized and simplified products in agriculture sector. In this final chapter, focusing on a case study of Aegean Cotton GI, I will discuss the creation of a specific form of organization and cooperation among local actors through GI protection in order to cope with trade liberalization processes. It is argued that the objective of Aegean Cotton is to interrupt one of the strongest cost-price squeezes which make it difficult for small farmers to boost prices and cover escalating costs after the liberalization of the cotton sector. Accordingly, this chapter mainly focuses on the ways in which GIs are designed. Most particularly, I will elaborate on the ways in which GIs are defined, and how the cotton supply chain is organized and governed in relation to GI. I will also discuss the delimitation of the area under protection of GI and question the codes of practices of the GIs. In the concluding part of the chapter, I will highlight the various factors that need to be taken into account to realize the potential of economic benefits offered by GI. I think that an overview of institutional and technical changes took place during the economic liberalization period provides crucial insights in understanding the objectives of Aegean Cotton GI and in tracing a number of strategies applied in this new process. Accordingly, the chapter begins with a brief outline of the Turkish cotton marketing

system before the economic liberalization policies of Turkey. In this beginning part, I will also discuss the processes of competition and input supply as well as examining the strategies of marketing and quality management.

Cost-Price Squeezes for Cotton Producers

Protection of the Aegean cotton with geographical indicator has been developed as a strategic tool to deal with the cost and price squeeze that has been increasing during the last few years. Increasing production costs and decreasing crop prices make it difficult for small farmers to boost prices and cover escalating costs after the liberalization of the cotton sector. In general liberalization of the agriculture policies brought out a series of economic and social changes that forces small producers to withdrawal from production, especially in the developing countries. In Turkey, the structural adjustment programs trigger a transformation under which small or medium producers are increasingly marginalized. Accordingly, cotton producers are the most marginalized groups who are affected the most from the cost –price squeeze that increased in the last ten years. Input and labor costs in the cotton production are higher than those of the other products. Therefore, cotton producers are the ones who are the most affected from the increasing input costs. In addition, cotton prices in the world market are constantly falling. Due to the increasing cost-price squeeze that is enforced by trade liberalization, cotton producers lost their competitiveness both in domestic and world markets.

It is possible to argue that liberalization policies bring out some mechanisms that put the producers under the pressure of world prices. These mechanisms can be illustrated as the following. First of all, the input subsidies are removed and agriculture sale cooperatives and unions, which used to be significant market actors, were privatized. After privatization, these cooperatives, whose financial support was cut off,

began to have some problems in credit and input services they offer to the producers. In this period, they also face with problems in product payments. The most important result of this transformation from the side of the producers is the break of the input and credit link. That is to say, after the removal of input subsidies (credits) and privatization of the cooperatives, various mechanisms emerged that make the producers face with more cost-price squeeze. The changes that will be examined in relation to the break of the input and credit link are the following:

- The increase in the amount of financial costs in order producers to afford the production/input costs.

- As getting an agriculture credit becomes harder, the producers are being pushed away from the formal credit markets and have to enter into the informal credit markets.

- After the privatization of the cooperatives, local traders (private ginner) became stronger in the market.

- The credit input schemes that are offered by local traders, put producers into the circle of credit and debt that make the producers more dependent to trader not only for marketing but also production.

These changes, which I have summarized under the title of “the link between input and credit”, point out the mechanisms that examine the cost increases due to the producers’ financial problems. In addition to this, cotton producers started to feel the pressure of decreasing cotton prices in world markets most seriously after the Customs Union agreement.

As I will elaborate in a more detailed way below, this trend has been shaped by the US subsidy programs that lead to the dumping of below-cost produce, in order to maintain and improve the profitability of cotton for the US producers and traders.

However, with the Customs Union Agreement, the policies which protect the local cotton with customs wall were removed and, in addition supports were reduced to a minimum level. Moreover, the taxes over the inputs were increased. On the other hand, trade liberalization brought out a process in which producer become more dependent on foreign inputs which multinational corporations have a control over the their supply chains.

The most important outcome of this process, from the side of the producers, is the high increases in input prices. The regulatory trade policies in the world cotton market as well as the tax policies will be examined under the title of “trade of lint cotton and liberalization policies.” In that framework, the next section aims to provide an overview of the Turkish cotton marketing system before the economic liberalization policies of Turkey.

The Cotton Market in Turkey

Turkey, a country which was exporting cotton until the 1990s, became one of the most significant cotton importing countries recently. She was the second biggest cotton importer after China, the textile giant, in 2005 and 2006 (Nizam, 2008). Turkey ranks seventh in total cotton production and ranks ninth in the quantity of land she owns available for cotton production in the world. Moreover, she ranks the third in fiber productivity with 350 kg/da among the countries which have the highest cotton productivity. However, in spite of the increasing consumption of the lint cotton which is the raw material of the developing textile industry, cotton production has been declining in Turkey. Moreover, as I will discuss in the following part, cotton production areas have been decreasing.

Table 1. Cotton Production and Yield in Turkey

Crop Year	Area (000)ha	Production (000)ha	Yield (Kg/ha)
1996/97	744	784	1054
1997/98	719	791	1100
1998/99	757	882	1166
1999/00	719	791	1100
2000/01	654	880	1345
2001/02	693	922	1330
2002/03	721	900	1248
2003/04	725	910	1255
2004/05	698	900	1289
2005/06	600	800	1333
2006/07	630	720	1301
2007/08	520	675	1250
(*) 2008/09(*) (*)	384	500	1400

(*) estimate, (**) preliminary

Thanks to the increases in the level productivity over a unit area, despite the decrease in the amount of land open for cotton production, the decline in the amount of total production is relatively less. The increase in cotton productivity is a result of the use of certified seeds, fertilizers, pesticides and agricultural machinery. In addition, technological developments which have been started to be implemented in specific production processes like mechanical cotton picking, had affected the level of cotton production positively in recent years. The 50-70 percent increase in the prices of input items of pesticides, fertilizers and diesel in the recent years, proves that producers are inclined to use alternative products which require less input usage. The increase in the prices of the input items, in spite of the declining cotton prices in world markets, is one of the most important reasons that lie behind the decrease in the quantity of cotton production areas. Cotton producers started to feel the pressure of decreasing cotton prices in world markets most seriously after the Customs Union agreement. According

to the agreement, lint cotton is counted as a processed agricultural product; it entered free circulation and protection under Customs Union. With the economic liberalization policies, cotton producers of Turkey are increasingly losing their chance in competition in the world cotton market. The strong cost price squeeze played a significant role regarding this disadvantageous situation of the Turkish cotton producers. That is to say, farmers are being faced with rising costs for the farm inputs while the price they receive for their productions decreases. Economic and institutional reforms that brought out the removal of input subsidies, led to the collapse of traditional cotton input systems. Most farmers, who need credit to purchase the necessary inputs, began to have troubles in finding credit. As a result of the disappearance of the link between credit and input, the increase in interest rate is combined with the increase in input prices by the domination of multinational corporations in the input supply chains. In addition, depressed world market prices for cotton lint are, in part, a result of massive subsidies provided to cotton farmers in developed economies (i.e. in USA and China). These subsidies provided by the developed countries to their farmers turns into an obstacle in front of the farmers of less developed countries in competing in the world market.

The Link in Between Input and Credit

The link between credit and input supply had disappeared significantly with the removal of subsidies. This link is important because, processed commodities such as cotton require a good deal of coordination in production, processing and marketing processes to compete in the world market. Due to the near absence of rural credit markets, state support is necessary to help the farmers to get inputs and to increase the quality standards in order to make the local cotton competent enough. Hence, in most of the developing countries, states had played crucial roles in the formation of their cotton

markets through their credit-based input schemes. In a similar fashion, the organization of cotton production in Turkey, which was developed on the basis of credit -input provision, did allow the smallholders to a part of the cotton market. Agricultural credits with low interest rates, which were provided by the *Ziraat Bank* (Agriculture Bank) and purchases of agricultural products done by the state to support smallholders as well as the credit based input system introduced by Agricultural Sales Cooperatives, had lead to the formation and organization of a supply chain in which smallholders were dominant in cotton production until the 1990s. In this system, cooperatives were the main agents of marketing.

In the early development of the national cotton market, the cooperatives introduced credit based input systems for smallholders in order to overcome input-credit market failure in rural areas. Cooperatives provide a kind of input-credit scheme within which inputs are provided directly to farmers on credit and the credit is erased when the product is purchased. Through their input credit schemes, the cooperatives captured a very large part of the smallholders output and attained a high degree of predictability with regard to volume and quality in the process. As a result, until recently, cooperatives had been the most dominant actors in the supply chain of cotton, in processing the cotton and in maintaining quality controls. The cooperatives *Tariş*, *Çukobirlik* and *Antbirlik* Agricultural Sales Cooperatives were built in the areas where cotton was the main economic activity, namely Aegean part of Turkey, Çukurova and Antalya. Their input-credit facilities and their roles in regulating the market price made them dominant market actors in cotton supply chains. Cooperatives were able to get the necessary support they needed through state credits. And, they could maintain their dominant role in the cotton market thanks to this state credit support. However, in 2000 a new law was

introduced regarding the cooperatives and unions. This new law introduced a novel legal framework in restructuring these institutions. According to the law, unions and cooperatives were privatized and their financial support was cut off.²⁰ While, before the privatization process, cooperatives were deciding on the cotton prices with the state's support, now they are deciding on the prices by themselves. These institutions which played a crucial role in regulating the market and in shaping the cotton prices cannot obtain any financial support anymore. Their lack of financial support has caused significant difficulties in sustaining their facilities such as input-credit supply, payment for cotton and for cotton processing. As a result, they lost their power in the market significantly. While the role of the cooperatives in shaping the cotton market is diminishing, the role of the private ginners in cotton supply chain has started to increase. For instance, while the percentage of total cotton seed purchase by the cooperatives was 24 percent in 1998, it was 11.5 percent in 2005 (Nizam, 2008).

As cotton can only be traded after ginning as lint, the middlemen (*komisyoncu*) in between the ginning factory and the producer had never been a significant market actor in the supply chain. However, it can be argued that with the removal of input supports, the middlemen are totally excluded from the cotton supply chain. With the liberalization process, cotton traders are competing over the services they offer to farmers. And, middlemen cannot compete with them; since they cannot take part in exchange relations anymore. For instance, while in the past, middlemen were used to take the cotton from the producers and sell it to the processors, now, producers have to

²⁰ With the law on the Agricultural Sales Cooperatives and Associations, numbered 4572, which is effective by 16 June 2000, the institutions under consideration are made autonomous in their personnel recruitments and administrative and financial operations (Nizam, 2008). According to the law, these institutions can provide financial supports and credits from international financial organizations.

sell their cotton to the people who they got the credits from. Hence, what we observe, today, is the reorganization of the supply chain. With this new process, cooperatives lost their central role in the supply chain as well. Now, the input and supply link is not solely under the control of the cooperatives anymore. Private ginners are also imitating the role of the cooperatives and are competing with the cooperatives. As a result of the removal of the state supported credits and the increasing interest rates, producers end up looking for informal mechanisms to get credits. Since, it is relatively easier to find credits from the informal credit agents; producers accept the credits in return of higher interest rates. Therefore, there is a significant difference emerges in terms of the total amount of money spent for production between the producers who have the access to formal credit mechanisms and the ones who have to find credit from informal agents. Some producers cannot even continue producing because of their disadvantageous situation in the finance market.

Farmers tend to sell their cotton right away in order to pay their debts. This feeling of urgency, dominates farmers' motivations in the market place. And, farmers' responses to various market opportunities started to be affected by the nature of local (informal or formal) financial markets. The financial market is a power field in which both formal and informal credit networks and farmers take place. However, farmers' financially disadvantageous situation resulting from their debts, make the farmers relatively powerless agents in shaping the cotton market prices. It can be argued that due to the liberalization policies, financial structures (especially financial sources available for the farmers), and networks shaped by the financial structures began to play a central role in shaping the competition in the cotton market. So, in order to understand the

competition in the cotton market, we should have a look at the emerging financial structures with the liberalization policies.

It is clear that understanding the current cash flows and credit structures at the level of each actor in market should be an integral part of analyzing the supply chain structure. As I have described above, there is a set of issues related to the nature of different types of input-credit provision that take place in the supply chain. Some forms of informal functioning input credit schemes emerged as important ways of tying farmers to private ginning companies in resolving the constraints (i.e. increases in input prices and unavailability of input credit faced by smallholder producers in the post liberalization era). Accordingly, there is a new trend in private ginners' strategies to compete in the market and secure sufficient supplies of seed cotton from the smallholder. This new trend is to link the purchase of seed cotton to the provision of production inputs and services. However, the main reason that lies behind the competition between the cooperatives and the private ginners is related to the issue of how to finance the farmers. As I have stated above, from the restructuring of the cooperatives on, they have been announcing a minimum price which was set at the beginning of the season and remained fixed until the end of harvest. The cotton growers (shareholders) are allowed to sell their cotton at this minimum price and pay back their debts for input credit. In addition, thanks to the future price increases of cotton, cooperatives distribute the additional profit share to the producers after they sold the lint and/or processed cotton. However, these additional payments to the producers delayed since the cooperatives sell the cotton gradually.

Contrary to cooperatives' way of announcing the prices, the private ginner factories make a decision about the prices at which they decide to buy cotton after

cooperatives announce their prices at the beginning of the harvest period. The ginner factories are making payments to farmers one or two days after the farmers deliver product to them. But, they purchase the cotton at a price of 10-20 *kuruş* per kilo which is less than the amount offered by the cooperatives. The harvest period is a period when the cotton supply is intense and its price is low. The producers who sell their cottons to the ginner factories cannot get any share from the profit, which may rise due to the possible price increases after the harvest period. However, farmers are willing to sell their products for low prices since they need immediate cash in order to be able to pay their debts back. The vast majority of farmers sell, at least, a portion of their crop to ginneries at the time of harvest. In addition, after the restructuring of the agricultural credits, conditions to get a credit from *Ziraat Bank* and the *Agricultural Credit Cooperatives* became harder for the farmers. Mortgage (the bank requires the farmers to have land in their name and use it as collateral) and guarantors are required to get input and credits both from the *Ziraat Bank* and *Agricultural Credit Cooperatives*. As is seen, the producers who cannot participate in the formal credit mechanisms are becoming more and more dependent on the owners of the ginning factories in marketing and producing their crops. The refinancing conditions which the ginning factories offer to the producers are based on personal relationships. The ginneries usually consist of local people and they, by and large, are members of large landowner families of the region. These people either continue cotton cultivation in their own lands or withdraw from production and rent their lands.

The conditions and strategies of the input and credit facilities which the ginneries offer to the producers vary according to the extent of the informal relationships between farmers and ginneries. These relationships are also shaped within the contested sphere of

power relations.²¹ Farmers borrow money from ginners at the beginning of the season in order to buy the necessary inputs. The interest rate for the inputs and credits as well as the sales price of the product is solely determined by the ginner after the harvest period. However, even the interest rates that ginners ask for the inputs and credits and the sales prices vary according to informal relations between the ginners and farmers. It is observed that the producers who are excluded from the formal credit mechanisms are either at the end indebted to illegal money lenders or have to sell their cotton to private ginners since these two are the only ways to get the credits to continue production. The more they need credit, the more difficult it becomes for small farmers to grow cotton. This is not only because farmers made little or no profit from their crops but also they end up selling their lands to pay their debts back. It can be said that as the farmers are selling their land to pay their debts back, the land is increasingly consolidating at the hands of a few ginners.

I observed that some ginning factories try to transform the difficulties that producers face into an advantage for themselves. They buy cotton from cash-strapped farmers at very low prices. In addition, some of them rent their own lands to the landless producers, who cannot even apply for credits offered by the *Ziraat Bank*. These owners of ginning factories, who rent their lands to landless producers, make several negotiations with producers about the input-credit schemes and marketing of cotton. It is seen that the input-credit scheme which is maintained under such conditions represent a primitive kind of contract farming. The farmers are increasingly obliged to buy all of the

21 The dissertation of Çalışkan (2005) offers a descriptive account of the power relations whereby a cluster of agents such as traders, ginners, farmers, the state and experts interact in multiple ways by drawing on an ethnographical analysis of cotton exchange, price making and production in Aegean region in 2000s.

inputs (seed, fertilizer, diesel, pesticide, picking machine and tractor) from the landowners due to the agreements they made with the landowner ginners. These landless farmers/producers also sell the product for a lower price than its market price.

It is also seen that the producers who have to rent the lands of the ginners, are either bankrupted or they are at the edge of bankruptcy. Because, the interest rates that ginners demand for the input credit is higher than those demanded by cooperatives or banks. Besides, the price they offer for crops is much lower than the market price. Because of this input-output link, the farmers who had contracted with private ginners are being constantly indebted to the private ginners. Since they are obliged to sell their own land to pay their debts back; they, at the end, end up renting the lands of the private ginners. Moreover, in the last years it is seen that some of the farmers who couldn't pay their debts back, committed suicide. This circle of debt which forces farmers to sell their land, led to increases in farmer suicides in the region. They commit suicide when their amount of debt reaches a high level. This circle of debt also leads to the consolidation of land among few ginners. One of the farmers, Muzaffer, describes this circle in The Söke Plain as follows:

The merchant is in the market, he collects and collects the cotton; he sells it for a million when there is no cotton; what is my benefit from this? Even if the cotton is sold at one million; I do not have any benefit. I do not have even a kilo of cotton since I already sold it. I want the profit of the buyer to be clear, so the season should be closed accordingly. The merchant earns crazy amounts of money; he becomes rich. Three hundred, four hundred farmers work for a merchant; all those cotton is gathered in the hands of the merchant. And in the last years, they also started to rent their own lands; all farmers in this Söke plain are indebted to the merchant. The merchant gives the input and gives the credit to the farmers and when they have the product in the harvest the farmer sits in front of the merchant, they make a calculation. The merchant makes the farmer more indebted to him... Then he says, 'give me your land as a compensation of the debt.' Lands in this Söke plain started to be consolidated in the hands of the ginners during the last two-three years,

in the hands of two or three persons who engage in this business.²²
(Söke, Sarıkemer Town, July 2006)

Liberalization, together with the removal of input supports, forces the small or medium sized producers to enter into a risky input-credit circle in which they constantly lose their chances in competing in the market. Both the formal and the informal credit mechanisms started to represent significant a network in order to be included in the supply chain. It is evident when we look at the current cash flows and credit structures at the level of each actor in market. Almost all private banks had opened new branches and they give priority to credit activities in the region. The same is also true for informal credit networks. There is an increase in the number of money lenders who are willing to lend money with interest, to the farmers who are in need of immediate cash. So, in understanding the rules of competition and of strategies in the cotton supply chain, we face with networks of both formal and informal finance markets. In a nutshell, due to the removal of the state supported input credits, finance costs and accessibility to finance networks and market with the liberalization policies began to play central role in shaping the competition within the supply chain. This issue of accessibility to financial sources is crucial. Because, it doesn't only shape the competition among the producers but also it affects the traders, themselves.

²² "Tüccar piyasada, topluyor, topluyor pamuğu, pamuğun yok olduğu zaman satıyor bir milyona, pamuk bir milyon olsa benim ne işime yaracak, bende kalmıyor ki pamuk. Ben de bir kilo pamuk yok ki, sattım ben pamuğu. Alanında karı belli olsun, sezon öyle kapansın istiyorum. Tüccar deli para kazanıyor, zengin oluyor. Üç yüz, dört yüz çiftçi bir tüccara çalışıyor, o kadar pamuk tüccarın elinde toplanıyor. Son senelerde bir de kendi topraklarını kiralamaya başladılar, borçlu bu söke ovasındaki bütün çiftçiler tüccarlara borçlu, tüccar veriyor girdiyi, veriyor krediyi, hasatta ürünü alınca oturtuyor karşına çiftçiyi, bir hesap çıkarıyor, kendisine daha borçlu çıkartıyor çiftçiyi. Sonrada borcun karşılığı ver bakalım toprağını diyor. Bu söke ovasında topraklar son iki üç yılda bu işi yapan çırçırıcıların elinde, iki üç kişinin elinde toplanmaya başladı."

The Trade of Lint Cotton and Liberalization Policies

With the Custom Union, Turkish cotton producers directly affected by the depressed world cotton prices which are, in a way, influenced by massive subsidies provided to cotton farmers in USA and China. Decreasing price of cotton and the increase in input costs are two crucial obstacles in front of the local farmers in competing in the world market. Turkish cotton producers argue that with the import liberalization policies, they found themselves in a market in which there are no fair rules of competition. Though the agriculture subsidies were removed more than ten years ago, the cotton producers believe that their competitiveness is undermined by the oversupply of subsidized American cotton in the world market.

25,000 farmers receive \$3.5 billion in subsidies in the United States. With the Farm Bill program in 2002, the amount of the subsidies which the American government provides to the cotton producers reached to its highest level. According to this program, American farmers are guaranteed to take at least 52 cents premium per kilo they produce. In addition to the premium payment, there are many other subsidy programs that lead to the dumping of below-cost produce, in order to maintain and improve the profitability of cotton for the US producers and traders. Moreover, in order to promote the purchases of US cotton, US government make compensation payments to the exporters and domestic mill users as the US cotton prices are higher than the average world market price. In addition export credit guarantee programs, which are known as General Sales Manager (GSM), provide export subsidies to keep US cotton competitive in the world market. In addition, long term credits and credits without interests, titled GSM, are available for the foreign textile industrialists who want to buy lint cotton. It functions as export subsidies because they are designed to make it easier for exporters to

sell US cotton overseas with longer credit terms up to three or four years. Accordingly, US can open foreign market for their cotton producers through GSM credits and it becomes dominant over the lint cotton imports in the world (Çalışkan, 2003). According to one estimate, 70 percent of US cotton is exported at prices substantially lower than the true production costs. Not surprisingly, the United States is Turkey's leading cotton supplier due to its low prices and credit facilities offered to Turkish cotton traders. The US offers credits without interest to the purchasers in the developing countries to promote the sale of US cotton. These credits disrupt the competency of the Turkish cotton significantly, even in the Turkish market. These subsidies are examples of the unfairness of the market for the local producers who think that they don't have any chance in competing with the subsidized US producers at the local and global level. An Aegean farmer says:

Last year in Istanbul there had been a world wide cotton advisory meeting. Farmers from all around the world participated in that meeting. I read the speech of the American representative in that meeting in the newspaper. Textile producers, yarn producers of Turkey, those who wish to buy cotton from us, tells this the American representative, our banking personnel in the next room are waiting for you, we will give credit with no interest for a year, but you will buy cotton from us with that money he tells. With people having such opportunities, it is not possible for the farmers of Turkey to take part in the competition. With this advance payment, the yarn and textile producers in Turkey bought the American cotton with the credit they took from the American banks without any interest and processed this cotton with the machines in Turkey....That's why the cotton is cheap. That's why it costs a lot for us to produce it. The cotton produced in Turkey is not even enough for Turkey's own needs. We need cotton a lot, but unfortunately because of distorted economic conditions, because of our underdevelopment, we cannot compete in the market. Also, we do not have any economic/financial power.²³ (Söke, Sarıkemer Town, August 2007)

²³ "Geçen yıl İstanbul'da dünya çapında bir pamuk istişare toplantısı yapıldı, bu toplantıya dünyanın dört bir yanından çiftçiler katıldı. Bu toplantıda amerikan temsilcisinin konuşmasını gazetede ben şöyle okudum. Türkiye'nin tekstil üreticileri iplikçileri bizden pamuk almak isteyenler amerikan temsilcisi diyor bunu, bizden pamuk almak isteyenler yan odadaki banka elemanlarımız sizi bekliyor bir yıl faizsiz kredi

At the global scale, more than fifty million farmers are growing cotton. But, many of these producers receive a low price for their product and find it difficult to compete with cotton producers of the developed countries. In the late 1980s, under pressure of International Monetary Fund (IMF), Turkey had opened up its strongly protected economy and encouraged its farmers to switch to modern farming, with its hybrid seeds, fertilizers and pesticides. Since the 1980s, the economic liberalization policies which are tried to be enforced on the underdeveloped countries, first through the IMF/WB programs and then through the rules and regulations of the WTO, had targeted the state interventions in agricultural sector. The subsidies provided by the developing countries, including Turkey, to the local producers was conceptualized in the pro-economic liberalization literature as *foreign trade distorting supports*. However, resource transfers to the agriculturally-engaged populations in general (and the American model that I have mentioned above) are seen as legitimate.²⁴ As is known, most of the developing countries are forced to liberalize their domestic cotton sectors. They abolished the state marketing boards, restructured the cooperative system and/or removed the direct production inputs credit unions which had often built and shaped at the time of building a national market. So, while the developed countries support the cotton producers of their own countries,

[vericez], ama o parayla bizden pamuk alacaksınız diyor. Böyle bir imkana sahip insanlarla, Türkiye gibi geri kalmış bir insanın, çiftçilerin yarış etmesi mümkün değil. Bu avansa karşı Türkiye'deki iplikçiler tekstilciler, amerikan bankalarının temsilcilerinden aldıkları faizsiz parayla amerikan pamuğu alıp Türkiye'nin makinelerinde işlediler... Onun için pamuk ucuz gidiyor. Onun için zaten biz pahalıya mal ediyoruz. Türkiye'de üretilen pamuk Türkiye'nin kendi ihtiyacına yetmiyor zaten. O kadar ihtiyacımız var pamuğa ama ne yazık ki çarpık bir ekonomi gidişinden dolayı geri kalmışlığımızdan dolayı biz rekabet yapamıyoruz. Parasal gücümüzün de olmamasından dolayı.”

²⁴ In WTO Agricultural Agreement (Boratav, 2003), US-type “direct payments made to the farmer, not linked with current production and prices and made from the state budget” is taken into a category named as the “green box” and no limitations and restrictions are foreseen over such kind of support. Contrary to this, all interventions and controls for certain products and inputs are taken into a category that is named as the “amber box” and total liquidation of all of these are put as a target.

they try to prevent the underdeveloped countries to support their own producers through the IMF and World Bank sanctions. Cotton producers of the underdeveloped countries receive no subsidy but suffer from the consequences of low world market prices. This issue was key to the collapse of the talks in Cancun in 24 July 2006 (Gillson, Poulton, Balcombe, & Page, 2004). In late 2002, Brazil initiated a WTO dispute settlement case against specific provisions of the U.S. cotton program. The West African cotton producing countries of Benin, Chad, Mali, and Burkina Faso has submitted their own proposal to the WTO, calling for a global agreement to end all production-related support for cotton growers of all WTO-member countries. Developing countries have been in the forefront of efforts to persuade the industrialized countries, above all the United States, to reduce cotton subsidies and to provide compensation for the damage that their economies are enduring. Since then, there is no solution found for this unfair situation that the producers of the undeveloped countries are in. And, the massive subsidies provided to cotton farmers of the developed economies continues to be the most effective strategy that increases the level of compatibility of these farmers and/or countries in the world cotton market. These subsidies along with the sanction of the subsidies might be provided by the underdeveloped countries constitute barriers in front of the farmers of the developing countries in entering the global supply chain of cotton. Cotton farmers of the underdeveloped countries are being defeated in the world market competition and are being punished both domestically because of agriculture-input tax and internationally because of the subsidies provided in the competitor countries.

Table 2. Import/Export of Lint Cotton in Turkey

Year	Crop	Exports (000) Tonnes	Imports (000) Tonnes
1990/91		164	46
1991/92		56	92
1992/93		59	233
1993/94		109	119
1994/95		1	236
1995/96		55	112
1996/97		35	320
1997/98		23	399
1998/99		81	250
1999/00		37	575
2000/01		19	383
2001/02		15	624
2002/03		49	516
2003/04		60	516
2004/05		16	743
2005/06		29	730
2006/07		43	872
2007/08		57	711
2008/09(40	650
*)			

(*) estimate

As is seen, Turkish cotton lost its competitiveness not only in the foreign market but also in the domestic market due to the liberalization policies. The domestic textile and apparel industries started to import cheaper cotton from abroad since the GSM credit system offers more attractive opportunities for the sector which experiences credit problems. Although the productivity per unit area in Turkey is higher than it is in America, Turkish cotton cannot compete with the US cotton even in the domestic market. According to the regional and local actors, the US cotton policies provides an evidence that it is not the free market that determines the competition in the market, but wider power relations that are based on economic and political power.

You can never sell it, you see, the man in front of you is strong, he is strong with his economy and with his bank credits... you are in need of cotton but he makes your cotton not to be sufficient enough, thus he tells to buy cotton from foreign countries. He gives you money and makes you to buy his own cotton. He makes you to buy his cotton with his money. There is such a power.²⁵ (Söke, Yenikör Town, July 2006)

Similarly, a story told by Hulusi Tanman, a member of one of the largest landowner families in the Aegean region and the founder and current chair of the Aegean Farmers' Association (*Ege Çiftçiler Birliği*), emphasizes that supply chain of cotton is dominated by the countries that hold the lobby. Tanman tells about his dialogue with an American representative in a meeting which he was invited, organized by agriculture working group of TÜSİAD. He told that:

... Free market is a dream, I will tell you something very interesting. Nicholas Hanny ex-president of Cotton Incorporated, now he is retired, came to Istanbul, we had a meeting, and talked after the meeting. We ate in the *Çırağan* Hotel... (during the meal) Anyway we talked about these cotton matters, world matters, talked and talked with him. I told to him, Nicholas we wish to export cotton to America. "How can we make this", I told, he said "you cannot", really just like that. I asked, "why not? Why can't we export cotton to America? He said, "Because we will not give you the permission to do it". "So, is it prohibited?", I asked, "no, it is not" he said. He said, "But I have such a lobby there, you cannot even take one gram of cotton in there". I said, ok I will come with low price, "bring it even free if you want, you cannot again take it in".²⁶ (Söke, November, 2007)

²⁵ "Satamıyorsun işte karşıdaki adam güçlü ekonomisi ile banka kredisi ile lobisi ile güçlü... Senin ihtiyacın var ama kendi pamuğunun kendine yetmemesini sağlıyor, yani dışarıdan pamuk alacaksın diyor. Hem para veriyor sana hem kendi pamuğunu aldırıyor. Kendi parasıyla kendi pamuğunu aldırıyor."

²⁶ "...Serbest piyasa bir hayal, çok enteresan bir şey söyleyeyim, Nicholas Hann Cotton Incorporated'ten eski başkanı, emekli oldu şimdi, İstanbul'a geldi bir toplantı yaptık ,konuştuk toplantıdan sonra Çırağan otelinde yemek yedik...(yemekte) Neyse bu pamuk meselelerini, dünya meselelerini konuştuk onla, ben dedim ki yahu Nicholas biz Amerika'ya pamuk ihraç etmek istiyoruz. Nasıl yaparız bunu dedim, yapamazsınız dedi aynen böyle bak,Neden yapamayız dedim neden pamuk ihraç edemeyiz Amerika'ya?; "biz izin vermeyiz de onun için" dedi.Yani bu yasak mı dedim ?,”yoo yasak değil dedi!” “Ama benim orda bir lobim var ki dedi, siz oraya bir gram pamuk sokamazsınız!”,ya daha düşük fiyatla [gelicem] dedim, “istersen bedava getir dedi yinede sokamazsınız.”

The cotton producers and trader in the region believe that the state interventions into the agriculture are in direct proportion with the welfare and world-scale political power of countries. They think that the nation states' oligopolies are protected in the international cotton market and America has the leading role in this oligopoly in defining and shaping the level of barriers to enter the chain. As is stated above, the policies which are tried to be enforced on the underdeveloped countries to remove their subsidies are pushing farmers into a global trade market in which there are no fair rules of competition. Turkish farmers are currently in a very disadvantageous situation with respect to global policies and they are being "penalized" both domestically because of the agriculture-input taxation system and at the international level due to the subsidies provided by the competing countries to their own local producers. For instance, purchase subsidies at the minimum level in Turkey and production subsidies were removed as a result of adjustment to the global policies. As I have argued above, these global policies prohibit the state intervention in the agricultural markets.

With liberalization and adjustment policies, Turkish cotton had begun to be supported by a premium each year. The premium system is operating as a difference payment system (*fark ödeme sistemi*). According to this new system, the state does not make any support purchases anymore. Instead, a stable target price is determined in advance and the difference between this price and the price formed within the market relations is paid by the state to the producer later.²⁷ This target price system was first applied in 1993. However, soon after the introduction of this system, it was thought that, determining a target price in advance would create various problems in the state budget.

²⁷ The payment dates do not follow any pattern and the payment schedules are totally ambiguous.

Thus, the target pricing system ended in the very same year. Since 1998, payment of premiums to the cotton producers is continuing without determining any target price.²⁸ Although cotton production is supported by premium payments, it is far away from encouraging cotton production or improving farmers' competitiveness. While the American cotton producers get 50-60 cents per kilo, cotton producers of Turkey get less than 8-10 cents per kilo. In addition to the low level of the premium, the cotton prices are not announced and paid in time. Thus, producers can only learn the premium price of the product in the harvest period; and they can take the premium one year later. It is seen that the income which the cotton producers gain from the harvest can only meet the production costs and they earn profit only if they enjoy premiums supports. Farmers pay their debts back after the harvest and they are forced to take new credits (formal or informal) immediately after the harvest period in order to fulfill their daily needs and production costs of the following season. Due to the lack of state sponsored financial support and late paid premiums, farmers are becoming more and more dependent on credits each year. As it is aforementioned, after the removal of the input-credit subsidies, finance cost started to constitute the largest share of the cost items of the producers. One of young producer exemplifies this case as follows:

Good or bad, the cost is either balanced or not with price the cotton is sold at. Cotton has finished, money has finished too; and then they wait for to see how much premium the state will give. It is not certain when it will give and how much it will give. And they take that money back too, after taking that back, some day people start to live on debt again. I, for

²⁸ The system of differential payment took place in the Agricultural Law, issued on 18 April 2006 and numbered 5488. In the law the differential payment is defined as: "Differential payment support is provided to the farmers by taking into account the production costs and internal and external prices. Differential payment support includes primarily the products which have supply gap. The products to be included in the differential payment and the amounts of payment are determined by the Board. Documents about the production activities and sales of their products might be asked from the farmers who will benefit from differential payment".

instance, if I gain twenty or thirty billions during the harvest, I spend that money in order to pay the debts that I made within the year, no money stays in my pocket but if I do these payments once in a year, if I know it, it will be more profitable, there would be pocket money for me. ... you start planting in April, when you start you give the money for this and that, there is no money in your pocket but if you give this in October, after harvesting cotton, it would be different. So the money in your pocket is spent for nothing.²⁹ (Söke, Güllübahçe Town, November 2007)

As I have mentioned above, with the late 1980s, due to the structural adjustment policies and economic liberalization processes, the economic structures of Turkey began to change drastically. These transformations had affected the cotton market significantly. Since then, cotton sector which traditionally depended on a labor intensive production began to be articulated in a novel input supply chain in which multinational companies are playing a dominant role. In addition, in this new process pioneered the use of mechanical cotton pickers. As the farmers began to use hybrid seed and move to mechanical harvest in order to raise the quality of the products as well as reducing the costs, they are becoming dependent on the hybrid seeds. Moreover, since these seeds are required to be used with certain chemicals, farmers are, now, dependent on these chemicals as well. However, most of the farmers say that while they began to use hybrid seed in expectation of more profit, what actually happened was different than their expectations. Because, due to the uses of expensive hybrid seeds and the input packages/chemicals that have to be used these seeds production costs were increased.

²⁹ “İyi kötü insanların sattığı fiyatla maliyet ya dengelenir ya dengelenmez. Pamuk bitti, parada bitti ondan sonra bekliyor devlet ne kadar prim verecek diye. Ne zaman ne kadar verecek belli değil. Onu da alıyor, onu da aldıktan sonra günü geliyor yine borçla yaşamaya [başlıyo]. Ben senede atıyorum, elime 20–30 milyar geçiyorsa hasatta, yıl içinde yaptığım borçları ödemek için harcıyorum bu parayı, cebimde para kalmıyor benim ama bu ödemeleri yılda bir defa yapsam, bilsem daha karlı olur, cebimde harçlık kalır... Nisanda başlıyorsun ekime başlayınca parayı oraya veriyorsun, buraya veriyorsun cebinde kalmıyor para ama bunu ekimde, pamuğu topladıktan sonra versen daha bir başka olur. Böle çarçur oluyor cebindeki para.”

Hybrid seed does not guarantee huge profits but can bring out high financial risks. While farmers used save seeds from one harvest to another, since hybrid seeds lose their vitality in a short time it is not possible to save hybrid seeds for future uses. Moreover, hybrid seed is more expensive than conventional seeds. Farmers buy a package of hybrid seed, fertilizer and pesticide from trader on credit and pay the loan back once the crop is harvested. Problems increase drastically when a farmer loses his crop in bad weather. Then, it gets really hard and often impossible to pay their debts back. And, at the end they can easily get caught in a debt trap. Farmers say that they had serious problems before they begin to use hybrid seeds but, things got worse after the hybrid seed. They told that although they can produce more in comparison to the past, due to the increasing input prices they started to earn less. A producer uses a local expression in order to explain the debt circle that producers are in: “money is the train and we are the station”³⁰, meaning that the money that they earn or that they took as a credit goes immediately back to the credits suppliers. Investments on these inputs did not prevent the continuous decline of the share which they are expected to take after the real value of the product is determined in the market; and thus cost and the price squeeze worsens. Nevertheless producers began to question the access to agribusiness value chains and as well as questioning the returns they obtain from participating in these chains. For example;

We are dependent on foreign seeds. All of the seeds are coming from outside; the carmen seed is coming all the way from Australia, from the other side of the world. Personnel of the carmen seed are ranging in the Söke plain. Personnel of the pesticide firms come and travel around the Söke plain. It is in such a trap... They the pesticides were developed in a way that there is an insect which we call red spider its pesticide is

³⁰ Para tren, biz istasyon olduk.

different, pesticides for worms are different, pesticide for *ballık* is different. They are so various, for each disease in the cotton, there is a different pesticide. They do not produce one pesticide to kill all of the harmful things. They produce distinct pesticides for distinct disease and make more profit out of this.... What kind of a system is this, we cannot even cultivate the same seed in the following year; they produced such genes. As I said before we buy a kilo of seeds and get 32 kilos of products, we do not know which countries to this money goes to? ³¹ (Söke, November, 2007)

Almost all of the producers I interviewed with emphasized the risks in being subjected to the input supply chains in which multinational companies are dominant. Farmers describe this risk as a gambling. Because, whether they gain or loose depend so much on weather conditions. Initially, they stated that the investments in these high cost inputs are transformed into a bigger risk for them due to the changing climatic conditions. For example, untimely rain or aridity which became more common in the recent years, destroy the crops and reduce the quality and quantity of the products.³² In such a case, the loss of the producers is more than the loss which might have resulted if local seeds were used, given that the use of hybrid seeds require more financial investment. Since, hybrid seeds require more water usage and due to a possible aridity yield of the harvested product decreases 50 percent or even 75 percent. On the other hand, if there is rain, the machines cannot enter in the farms and the producers have to wait until land gets dry. While waiting the land to get dry, the application defoliant sprays which is

³¹ “Tohumculukta dışarıya bağılıyız. Bütün tohumlar dışarıdan, carmen tohumu ta Avustralya’dan, dünyanın öbür ucundan. Carmen tohumunun elemanları söke ovasında cirit atıyor. İlaç firmalarını elemanları geliyor söke ovasında kaynaşıyor. Öyle bir kısıkaçta ki... Öyle bir geliştireyorlar ki ilaçları kırmızı örümcek dediğimiz bir böcek var bunun ilacı ayrı, kurt ilacı ayrı, ballık ilacı ayrı. Çeşit çeşit ya pamukta ne türlü hastalık varsa hepsinin ilacı farklı oluyor. Hepsini öldüren bir ilaç üretmiyorlar. Değişik ilaçlara değişik ilaçlar üreterek karlarına kar katıyorlar... Böyle bir sistem olur mu ya ve biz ektiğimiz tohumu ertesi sene ekemiyoruz, öyle bir gen yapmışlar ki. Demin de dediğim gibi bir kilo tohum alıyoruz otuz iki kilo ürün veriyoruz yerine, hangi ülkelere gidiyor bu paralar bilemiyoruz.”

³² I should note that hybrid sees demand a lot more water than local seeds.

used help to prepare the plant for cotton picking brings out a risk for the cotton to dry before being able to collect.

As is known, cotton plants continuously and systematically develop new bolls, and according to the conventional agriculture methods (in this case, hand picking), they are picked in three different periods. Moreover, no chemicals are necessary for hand picking. However, it is only picked once by the machines and chemicals are required to use to make the cotton ready for picking. And, since machines cannot enter to the land when it is wet, in the case of untimely rains, cotton producers face major difficulties in picking the products. And, this situation causes a great loss for the producers. In order to prepare the plant for cotton picking farmers have to use defoliant sprays including both drop and finished sprays which contain chemicals. When they are applied to plants the chemicals in the sprays alter the metabolism of crops. Due to the uses of these sprays plants lose their leaves and the great majority of bolls mature sooner than expected. And, the more the farmers wait to get land dry enough to drive, the quality of the cotton decreases more -it increasingly losses its weight and brightness-. Because of such a risks, producers to come up with losses from the harvest and enter in the coming harvest season with heavier burden of debt. Osman, one of farmer producing cotton at least fifty years, told that:

We bought machine in order to decrease the costs but it is not easy to buy a machine today, we buy them with mortgage. What do you rely on, what do we rely on? We rely on God. If the weather goes well, if the productivity is high, then things are fine, if not I do not know what happens. You sell the cotton at the cost you produce it. There are constant price increases in diesel, fertilizer and pesticide. The situation is getting worse, I do not know if our efforts can provide a solution. It is not a matter of seeing the situation is getting worse, it went worse actually. If it is possible to reduce the costs with the machine, if there is such an opportunity, how will it be, we are after that, if you ask what did you do, actually we do not know what we do. According to our calculations this

is the correct way. It is well calculated according to today's situation, but what comes next tomorrow, what the state, the weather conditions will bring to us? The state policy, we do not have a trust on that anymore. Now the state is trying to reduce the agricultural population to 5 percent, I think it will be reduced in this way, I see the situation is going to be worse. We had a cooperative (*Tariş*), they say that it will be closed down and they establish something else instead; they were supposed to find a solution. That will not be a solution. This policy, this state, this idea, this mentality are bad.³³ (Söke, Özbaşı Town, August 2007)

As is mentioned above, the ambiguity about when and at which price the premiums are to be paid constitutes the other risk in production which makes farmers to think that cotton production is, in a way, a gambling. Because, the state's taxation policies regarding agricultural inputs do not protect the producers against the escalating costs. High taxes on diesel and fertilizers which are vastly used in cotton production are two other important cost items. Because of these high tax rates on diesel and fertilizers, farmers think that their chances to compete in the world market are already taken from their hands at the very initial stage. For the farmers, trade itself is not the problem; the real problem is that trade is carried out unfairly and on an unequal basis. A young farmer working with his father stated that:

We try to decrease the costs, but we do not know if this is the solution. We loose billions with a rain, there is gambling in this business, because the state is trying to destroy us and we try to survive. Where this situation will go to, I do not know. We did not get much from the premium supports, the state says while the competitors grow, you will always diminish, if you throw someone from an airplane he falls with the same

³³ “Maliyetleri düşürmek için makine aldık ama makine almak bugün için kolay değil, ipotekle alıyoruz. Hah sen neye güveniyorsan, biz neye güveniyoruz; biz Allaha emanetiz. Hava şartları müsait giderse, verim iyi olursa [olcak], olmazsa ne [olcak] bilmiyorum. Pamuğu ürettiğin maliyete satıyorsun, sürekli mazota zam, gübreye zam, ilaca zam. Gidişatı kötü görüyorum, çabalarımız çözüm olacak mı bilmiyorum. Gidişatı kötü görmek değil, gidişat kötüye gitti zaten. Makineyle işte acaba maliyetleri düşürmek, acaba bir imkân, böyle nasıl olur, o işlerin peşindeyiz. ne yaptınız diye sorarsan, aslında ne yaptığımızı bizde bilmiyoruz. Hesabımıza göre doğru olan bu. Bu günkü gidişatta yaptığımız hesaplı ama yarın önümüze ne çıkar, devlet ne çıkarır, hava şartları ne çıkarır, devletin politikası yani ona da bir güvencimiz kalmadı... Devlet şimdi tarım nüfusunu yüze beşlere düşürmeye çalışıyor, böyle böyle [düşürcek] sanırım, vahim görüyorum ben gidişatı. Bizim bir kooperatifimiz vardı (*Tariş*), onu kapatıp yerine başka bir şey [kurcaklarmış], çözüm [bulcaklarmış], bu çözüm olmaz. Bu siyaset, bu devlet, bu fikir, bu zihniyet kötü.”

rate. This cotton producer can survive at most for two or three years, I talk for myself. We cannot find the situation we had four years ago, we can't find it even if we look for with candles- a local expression-³⁴ (Söke, Sarıkemer Town, October 2008)

According to a research, sponsored by Hulusi Tanman, chair of the Aegean Farmers' Association (*Ege Çiftçiler Birliği*), the farmers who use the most expensive diesel in the world are Turkish farmers. And, the increase in the diesel prices in the last five years is an important factor which increases the costs of the farmers who adapted to machine harvest. The farmers stated that although they make agricultural production they buy diesel at the same price as the ones who buy it for their private cars. And, they demand diesel tax reduction which is applied to other sectors, to fishing sector. On the other hand, farmers also talked about risk of being dependent on foreign inputs dominated by multinational corporations. According to them, real profits in the commodity chain are made by the foreign companies which constitute an oligopoly and which have a control over the input supply chains. The farmers told that their debts increased dramatically as a result of the currency and financial crises. This doesn't only lead to an increase in input costs but also to the increase in their need for cash. Because devaluation increases both prices of the inputs and the credit interest rates. In addition, farmers' mentioned their concerns about the environmental and social issues related to the transformation of cotton production:

I see that cotton is in danger, cotton agriculture is in danger. And also for the last few years, we have been using pesticides against the insects. I do not know if this is good or bad. Thus I do not know if the pesticides we

³⁴ "Maliyetleri düşürmeye çalışıyoruz, ama çözüm müdür bilemiyoruz, bir yağmurda milyarlarımız gidiyor, bu işin bir kumar tarafı var, çünkü devlet bizi yok etmeye çalışıyor, biz ayakta durmaya çalışıyoruz. Hah nereye gider, şimdiden bilemiyorum. Ya zaten prim desteklemelerinden çok bir şey alamadık... Devlet diyor ki rakipler büyürken siz daima küçüleceksiniz. Eh uçaktan birini atsanız o da aynı hızla düşer. Çok olsa iki üç yıl dayanır bu pamuk çiftçisi. Ben kendi adıma konuşuyorum. Dört sene önceki halimi mumla arasam bulamayız biz."

misuse harm the soil or not. We are ignorant about these things. And also in the last two years we use a new chemical substance for machine harvest. It dries whatever is green. We are concerned about this substance. If it remains in our soil, and if its remnants harm our soil...³⁵ (Söke, Sarıkemer Town, October 2008)

As it can be seen, according to the producers harvest pesticides which “dry and destroy whatever is green in the farm” and the hybrid seeds are substituting the local seeds. In producers narratives, these seeds and chemicals don’t take place as “money machines” but as threats to environment, to society and to the sovereignty of the country. And, the producers hope to go back to the years when cotton production was under state protection and expect to compete under equal conditions and wish to be included in global supply chain.

Cost Price Squeezes for Local Cotton Traders

Competition within the textile and apparel industry is highly tense and adverse in recent years. Due to the liberalization policies, competition and survival within the market became harder not only for producers, but also for traders. As a result of the removal of the protection walls after the customs unions there emerged a strong cost price squeeze. And, this squeeze affected the ginners as well as the producers. As is noted, the US’s support of her own producers leads to a decrease in cotton prices. In addition GSM credits offered by the US to foreign spinners of other countries increases the market share of US lint cotton. Not surprisingly, after the custom’s union, spinners in Turkey began to buy lint cotton exported from the US. Because, US lint cotton is cheaper than the local seed (unginned) cotton. And, as a result of this, the ginners in Turkey

³⁵ “Pamuk tarımını tehlikede görüyorum. Bir de son yıllarda haşerelere yaptığımız zirai ilaçlar bunları iyi mi yapıyoruz kötü mü yapıyoruz bilmiyorum yani. Yani yanlış attığımız ilaçlar toprağa zarar verir mi bilemiyorum, bu işleri bilinçsiz yapıyoruz. Bir de son iki yıldır yeni bir kimyasal madde kullanıyoruz, yeşil olan ne varsa kurutuyor makineli hasat için. İleride topraklarımızda kalıntısı olursa, topraklarımızda bir şey olur mu diye kaygılarımız var.”

experience cost price squeeze. This squeeze force ginners to reduce the cost of the raw material and their processing costs. In the local market, there are no big market actors expect cooperatives. The private ginner factories take place in market as small players. So the shrink of the local cotton market had affected local traders (ginners) as well as producers.

On the other hand, liberalization policies did not only bring about the intensification of competition in the world scale, but also increased competition between regions. As is known, by the end of the 1990s, the cotton production had increased in South East Anatolia with the irrigation project of GAP. And, thanks to this project this region has the biggest cotton area. As I will elaborate in a more detailed way below, the cotton grown in South East Anatolia increased its competency against the Aegean cotton thanks to the low labor and input costs in the region. And, the cotton brought illegally to Aegean region from South East Anatolia and processed in the Aegean region, began to threat the reputation and quality of the Aegean cotton. The main reason behind this cotton transportation is the difference between the cotton prices due to the quality differences. Among the cotton grown in the Aegean region, Çukurova, Antalya and South East Anatolia, there is a price difference in favor of the Aegean region. However, the increased use of hybrid seeds with liberalization led to the convergence of quality differences between regions. Hence, because of this convergence as well as the mix of the cotton of various regions, the GI protection for the Aegean cotton against cost price squeeze came into agenda in order to prevent the downgrading of quality and the reputation of the Aegean cotton.

Regional Competition and Regional Strategies

Liberalization of the cotton market not only provoked strong competition within the world market but it also gave rise to inter-regional competition within the domestic market. Introduction of the novel farming techniques brought out new advantageous and disadvantageous conditions in different regions with regard to costs, eco-conditions and quality of the products. Most particularly, new regional strategies which have been adapted to adjust to the changes in the cotton market increased the level of competition. Producers began to develop new strategies not only to reduce the costs but also to increase the quality of their products. It is important to examine the quality increase strategies in order to have a better perspective on the newly emerging patterns in the cotton market. As I have argued before, due the liberalization policies there is a downward pressure on the cotton prices. However, there is an important price difference between high and low grade cotton. Aegean cotton sector, in order to maintain its market share and to raise its competency, adopted a strategy to produce high quality cotton.

In Turkey, cotton is mostly produced in the Çukurova, South-East Anatolian, Antalya and Aegean regions. With the development of the GAP project, cotton-production had increased drastically in the South- East Anatolia. As I will discuss in a more detailed way later, as a result of the increasing cotton production in South- East Anatolia, cotton production areas in the other regions decreased progressively in the recent years. In the beginning of 2000s, the South East Anatolia ranked the first in the size of cotton producing areas and in the total amount of production.

Within the last fifteen years, while the cotton production areas in the South-East region increased three times more, size of the cotton production areas increased around 60-70 percent in the other regions of Turkey. From the years 2004 and 2005 on, 20

percent of the Turkish cotton is produced in Çukurova, 51 percent of it is produced in South-eastern Anatolia and 27 percent is produced in the Aegean region. And, in the Mediterranean region where the cotton production areas are decreasing each year, only 2 percent of the Turkish cotton is produced (Nizam, 2008).

Table 3. Production Areas According to Regions in Turkey

Crop Year	Aegean		Çukurova		SouthEast		Antalya		Total	
	000 ha	%	000 ha	%	000 ha	%	000 ha	%	000 ha	%
1980/81	218	32	369	55	51	8	35	5	673	100
1981/82	215	33	351	54	53	8	35	5	654	100
1982/83	198	33	307	52	54	9	36	6	595	100
1983/84	209	35	288	48	71	12	37	6	605	100
1984/85	263	35	360	47	91	12	46	6	760	100
1985/86	223	34	302	46	93	14	41	6	659	100
1986/87	216	37	234	40	94	16	44	7	588	100
1987/88	226	39	218	37	103	18	38	6	585	100
1988/89	259	35	311	43	122	17	39	5	731	100
1989/90	267	37	275	38	142	20	41	6	725	100
1990/91	258	40	211	33	141	22	32	5	642	100
1991/92	253	43	184	31	130	22	22	4	589	100
1992/93	261	41	218	34	136	21	23	4	638	100
1993/94	236	42	151	27	150	27	20	4	557	100
1994/95	237	41	159	28	160	28	16	3	572	100
1995/96	267	35	254	34	206	27	30	4	757	100
1996/97	268	36	219	29	228	31	28	4	743	100
1997/98	264	37	172	24	266	37	17	2	719	100
1998/99	252	33	178	23	313	41	17	2	760	100
1999/00	246	34	122	17	332	46	19	3	719	100
2000/01	208	32	116	18	317	48	13	2	654	100
2001/02	236	34	152	22	298	43	11	2	697	100
2002/03	224	32	141	20	320	46	9	1	694	100
2003/04	203	32	126	20	300	47	8	1	637	100
2004/05	176	28	130	20	325	51	9	1	640	100

After GAP's (South-East Anatolia Project) substantial contribution to the increase in the cotton production in South-East Anatolia, the cotton producers in the other regions of Turkey began to face serious problems in finding workers for harvest. Cotton requires

seasonal wageworkers for harvesting (hand picking) in autumn. By the end of the 1980s, the need for the seasonal workers were met with the people who were going to cotton picking to different regions from South-East Anatolia. However, in proportion to the increase in cotton production in South-East Anatolia, the demand for cotton workers rose significantly. Hence, the introduction of the GAP project caused a significant labor force shortage in the other cotton producing regions. In order to pull the cotton workers to their own region, the cotton producers of the Aegean region, offer higher salaries to workers. This does not only lead to a competition among the regions but also, as a result of the difference in terms of labor costs, the production costs vary among the different regions. Another important factor that leads to inter-regional cost differences is the usage of different amounts of pesticide and fertilizer in the different regions. Pesticide and fertilizer are being used to maintain the mineral balance of the soil and to fight against the harmful organisms. Usage of pesticide and fertilizers are lesser in South East Anatolia than they are used the other regions in which mono cultivation techniques have been applied for long years. Moreover, in the monoculture of cotton, the use of pesticide steadily increases. However in the cotton farms of South-East Anatolia productivity is higher and the need of input is lower. And this is another important factor is the making of the inter-regional cost differences. As a result cotton producers of Çukurova, Antalya and Aegean regions cannot compete against the flow of low-cost cotton from South- East Anatolia. Consequently, they began to grow alternative crops which do not demand high input and labor use. The decrease in the cotton production areas is seen mostly in Çukurova and Antalya regions. The producers in these two regions are now mostly growing corn and soybean.

While in Çukurova and Antalya regions, cotton producers are not willing to produce cotton anymore; in the Aegean region, producers are still persistent in cotton production. It is observed that despite the decrease in the cotton production areas, the farmers who continue to produce cotton are investing intensely in the new technologies in order to increase their productivity. Moreover, in some parts of the region, for instance in Söke, there is no decrease in the size of the cotton production areas. Söke plain is one of the areas in which there is a great motivation in modern farming and mechanization. The producers who wanted to decrease labor costs totally adapted to machine harvest in such a short time like two years, beginning 2006. At the moment, in the Söke plain and in the other parts of the region whose economies are largely based on cotton production, all of the cotton is picked by machines. Surely, the most important reason for such a rapid transition to mechanization is not only the inter-regional competition but also the decrease in the cotton price. The cost of the labor picking workers, which had been one of the most intense input items of cotton production, had traditionally based on the method of ten percent system. According to the ten percent method, workers were receiving the 10 percent of the market value of each kilos of cotton they had picked. However, due to the constant decrease of the cotton price, this system does not satisfy the workers anymore. In the season of 2005, after the cotton workers' demonstrations, in Aegean region the value of the cotton picking labor rose up to one third of a kilo of cotton. As the labor costs rose, cotton picking machines became economically more reasonable for the producers.

Lint produced by Aegean cotton is historically renowned as longer, whiter and brighter. Thanks to this reputation of Aegean lint, the Aegean cotton can be sold in the market at a higher price the cotton produced in the other regions. However, the quality

of the cotton produced in South-East Anatolia has increased, and this increases competitiveness of the South-East Anatolian cotton against Aegean cotton. While there is a competition Aegean and Southeast cotton and the rest of the other regions have significantly lost their chance in this competition due to their relatively lower quality cottons. Because, abundant supply of subsidized US lint as well as lint from other countries such as China and Greece and more generally a saturated world market, as Larsen (2002) says, may have resulted not only in increasing downward pressure on prices but also to higher price differentials between high and low grade cotton. Although poor quality lint may find a market even in the current situation of over supply, lower quality is punished increasingly hard on price. Accordingly, in order to have a better perspective about the current situation of the cotton market, we should examine the development of the quality standards within the cotton supply chain, from the raw cotton to the final product, attire.

The quality of cotton is expressed together with some characteristics that its fiber has. Cotton lint exhibits considerable variations in quality and tends to have multiple quality attributes, some of which are associated with seed variety and with crop management practices, others with post-harvest practices and with ginning. Fiber quality is a complex physical and microbiological property like fiber length, fineness, maturity, strength, color and trash content. According to Larsen (2002), “the naturally wide variations in fiber quality, in combination with differences in end-use result in significant variability in the value of cotton lint to processors” (p.10). But we can tell that, historically the cotton standards in the world are categorized according to the length of the fiber and the long fibred cottons are included in this categorization of the highest

quality. The cotton of the Aegean region in Turkey is included in this group with its long staple.

In Turkey cotton fiber properties differ from region to region. These differences are due to the uses of various kinds of cotton seeds as well as to the different climate conditions. However, the hybrid or GMO seed are designed to eradicate the differences resulted from different natural and climatic conditions are successful in eliminating the inter-regional divergences. For example, in Turkey, with the replacement of the local seeds (the seeds that are developed by state research institutes) with hybrid seeds, fiber lengths that varies among different regions began to disappear. In addition, South-East Anatolian cotton is becoming longer than Aegean cotton. And, this threatens the historical reputation of the Aegean cotton. The cottons of these two regions which converge with each other in terms of their physical appearances have some differences that can only be observed under laboratory conditions. As we will mention later, these characteristics will be the subject matter of the protection of the Aegean cotton geographical indicator. It is important to note that the climate and geographic conditions still play an important role in recognizing the national origins in cotton trade. The current biotechnological developments are not entirely successful in eliminating the effects of the natural processes on the agricultural products. Egypt cotton has the longest fibers in the world. For instance, *Söktaş*, a textile manufacturing firm in the Söke region, started to use Egyptian cotton as raw material in order to work with world famous textile brands. One the officer in the *Söktaş Company* stated that they tried hard in order to cultivate long fiber cotton in the region as the ones raised in Egypt. However, they couldn't succeed in producing cotton at that length. And, they started to import cotton from Egypt. Thus, the natural and agricultural processes which are tried to be eradicated

with hybrid seeds still plays important role. Hence, national origins are still important market indicators in the cotton market.

As is said before, as the South-East Anatolia began to use hybrid seeds, its cotton with longer and stronger fibers increased the region's competitiveness against the Aegean region also in terms of quality apart from cost. Aegean region responds to this inter-regional competition not only by adjusting their prices but also by quality management. In this process, coordination and group effort among the local actors (i.e. producers, ginners, cooperatives and local institutions) occupy a central role in maintaining quality practices to prevent downgrading of historical reputation of Aegean cotton. Since the foundation of the Republic until today, Aegean cotton has been rewarded by the governments with a higher price (under the application of base price). If we look at the cotton purchase prices of the Aegean cotton cooperative (*Tariş*), it is seen that it pays at least 20-30 *kuruş* per kilos (with 2008 values) more than other regional cooperatives. *Tariş* has been maintaining very strict quality controls in order to protect the reputation of the region cotton.³⁶ It determines the prices of the products according to certain grades; it processes and values the products separately by classifying them according to these grades. Determining the prices according to the quality of the products encourages producers to produce high quality cotton. With the transition from the base price to the premium system, the price difference is tried to be guaranteed by lobbying activities of the regional actors. With the liberalization, both *TARİŞ* and *Izmir*

³⁶ Tariş is the largest agricultural cooperative which was established in the 1950s. Tariş is a conglomerate of four unions of agricultural cooperative societies. These unions specialize in marketing cotton, olive oil, sultana raisins and figs. The Tariş cotton union is the largest in size when compared to the other three unions that comprise Tariş. Membership in Tariş is comprised of 13-5 cooperatives in 67 locations serving 120,000 member growers. Tariş is also involved in extension activities, quality control and product development efforts.

Mercantile Exchange –whose administration is dominated by private ginners – made significant efforts to protect the market value of the region’s cotton. For instance, in 1999, Ministry of Industry issued a circular in order to prevent inter-regional raw cotton transfer.³⁷ According to this, transfer of raw cotton from the Southeast, Çukurova and Antalya to the Aegean region (Aydın, Balıkesir, İzmir, Manisa, Denizli, Muğla, Çanakkale and some provinces of Bursa) and from Aegean region to the other regions is prohibited. However, as law isn’t applied effectively, inter-regional cotton transfer cannot be prevented and the cotton of the region cannot take the place it deserves in term of quality due to the mixture of cotton from the other regions. Hence one of the most important issues in the agenda of the geographical indicator initiative, which is established in 2002, is to eliminate the unfair competition resulting from inter-regional cotton mixture together with the geographical indicator.

Therefore, the Aegean cotton GI protection is an important reflection of the transformation processes that I have discussed earlier. The GI protection is adopted by the local cotton traders as a strategic marketing tool to protect and maintain the existing markets. One of the most important effects of the tense and adverse competition that takes place in the textile and apparel industry is the stress on the quality of raw materials. Thanks to the climatic conditions and the soil structure of the Aegean region, the cotton produced in this region has a natural reputation without any effort. That is the reason why it is demanded by the local and foreign buyers. However, mixture of the

³⁷ In order to prevent quality degradation emerged as a result of the mixture of the unginced cotton produced in the different regions, transferring of the unginced cotton across the regions is prohibited by the Law on “Prevention of the Transferring of Unginced Cotton Among Regions” numbered 99/18 (28 September 1999 – 23830). With the Decree dated 11 September 2003 and numbered 2003/6189 (9 October 2003 – 25254), strict measures have been introduced in order to prevent contamination of the unginced cottons (Nizam, 2008).

Aegean cotton with the cotton of other regions, and the convergence of quality differences between regions pose threats to maintenance of the Aegean cotton market and the market price of it. That is why, local traders (private ginners and cooperatives), see and try to develop the GIs as an important marketing tool in protecting the market share and price of the Aegean cotton.

The Analysis of the Design Process of Aegean Cotton

In the previous parts, I examined the chain of causality that brought out an increasing interest in geographical indications of cotton as a tool for product differentiation in the Aegean Region. This interest of the Aegean cotton sector in GI is characterized by changing economic environment under trade liberalization which brings lower economic returns for cotton producers who at the same time have to deal with increasing production costs. The aim of this section is to question the potential and relevance of GI as a tool/strategy to add value to products and to generate an aggregate surplus for the local cotton system. In addition, I would like to question how the strategic options developed during the designation of the GI, contributes to added value and to the distribution of the added value. For this aim, the following part will present an analysis of design process of GI cotton in the Aegean region. This analysis is important because it is in this process that GI is recognized and constituted as a collective intellectual right over the geographical name of the product. And, it is in this process individual right and ways of access to this local resource is adjusted. Consequently, the analysis of the outcome of this process is crucial to evaluate different strategic options based on recognition and on building of GI itself. As is discussed theoretically in the first chapter, three different strategic options envisaged within the design process of the geographical indicators. These three variables can be summarized as the following:

1- Participation and decision making processes: We should examine how various actors within the region (such as producers, traders and institutions) participate in the GI process and in what ways they take part in the decision making process.

2- Volume of production: when determining the area to be protected under GI, was low or high volume of production aimed?

3- Product territorial identity: Whether or not the local dimension in the definition of product and production norms and characteristics is strong. How unique is the product to that geographical area.

The recognition of GI Aegean cotton is a result of top-down decision making process. And, it's designed by specific actors and institutions led by *İzmir Mercantile Exchange (IME)*. Idea of GI for the Aegean cotton first came from *IME* in 2002. After conducting a research on how to develop a GI, *IME* invited the representatives of various local institutions to discuss the GI project. These institutions are Chambers of Agriculture, Agriculture City Managements, Universities, Agricultural Selling Cooperatives, Cotton Research Institute, and Undersecretary of Foreign Trade the West Anatolia Management. It can be said these institutions are the economic and political authorities which have significant roles in managing the local cotton supply chain. Unfortunately, cotton producers were neither invited to the meeting, nor informed about the meeting. In this meeting a project team was founded and the proposal prepared by the team was submitted to *Turkish Patent Institute* in 2002. The GI patent for the Aegean Cotton was approved in February 2003 and the approval is declared in *Resmi Gazete*.

At the time of my field work, which I conducted last year, when I asked the producers about GIs, most of them told me that they knew nothing about it. One of them,

Nebi, told that he did not know about the project of geographical indicator or branding Aegean cotton. He added that if there is such a project, that will work for the interests of the holdings (ginners), not for the interests of the producers. Based on this observation, it is possible to argue that the Aegean region geographical indicator initiative is not organized from below but from above. When I talked to the local actors and representatives of the institutions which are the part of GI initiative, they, all, told me that there are no oppositional thoughts within the initiative and they all agree on how to protect and increase the value of the local cotton. They also mentioned that they are taking into account all of the possibilities to realize their aim. As is mentioned above, foundation of the project is organized by *İzmir Mercantile Exchange*, as a result of the participation of a number of other institutions to the project, the project seems like a collective project based on top-down decision making process. Universities, research institutions, and agriculture chambers are occupying a central place in the application of GI and in controlling the managements which apply the GI. However, the actual producers on the farm are not participated in or represented in the initiative. In addition, they are outside the procedural structure required for the use, regulation control or monitor of the geographical indicator. According to the designed plan, the cotton that is subject to geographical indicator must be produced and ginned in a certain geographical location. The cotton which is cultivated within the area that is under protection according to the GI regulations must also be ginned within these boundaries. Otherwise, it cannot enjoy geographical indicator protection. Hence, the cotton traders who do not have a ginner company can not be the holders of GI. Therefore, not the seed cotton but lint cotton owns a GI logo. Consequently, GI seems to be more in favor of the traders rather than the actual producers.

When we look at the design process of the GI in terms of “volume of production”, it is seen that there is no strict territorial delimitation. The production area under protection includes almost all of the cotton production areas in the Aegean region. Such as, all towns of İzmir, all towns of Aydın, Centre, Ahmetli, Akhisar, Alaşehir, Demirci, Gölarmara, Kırkağaç, Salihli, Saruhanlı, Soma and Turgutlu towns of Manisa province, Dalaman, Fethiye, Köyceğiz, Milas, Ortaca and Yatağan towns of Muğla province, Centre, Akköy, Buldan, Çal, Honaz and Sarayköy towns of Denizli province, Centre, Ayvalık, Bandırma, Bigadiç, Burhaniye, Edremit, Gömeç, Havran, Kepsut, Manyas and Susurluk towns of Balıkesir province, Centre, Ayvacık, Eceabat, Ezine and Gelibolu towns of Çanakkale province, and Bursa’s Karacabey town. The cotton produced in the areas mentioned above, benefit from GI protection and is registered as Aegean Cotton.³⁸ The area under protection is including seven different provinces and represents a large geographical area in which climatic and soil condition differ. In this area, significant climatic, geographical, social and cultural differences are observed between south and north and west and east. It is seen that in the Aegean region the cotton that are grown in some micro areas or basins have better reputation. For instance, the quality of the cotton grown in Söke and Dikili-Bergama regions of Aydın and İzmir are two examples of these smaller areas. According to some researches, the high quality cotton is a result of the specific geographical and climatic conditions of these basins. For instance, some plains around the mountains vertical to the Aegean Sea, have an appropriate soil structure for high quality fiber, thanks to the humidity and to the onshore winds.

³⁸ Please see the map of the Aegean cotton areas in the appendix B.

However, the area under the geographical indicator protection is not limited by these very special and micro basins but includes a larger area. Thus, a higher volume of production is encouraged even if its effectiveness is open to debate. As discussed before, the link in between the product territorial quality and the volume of production carries different specific strategic options in the GI definition process. These strategic options determine the effectiveness of the valorization process and shape the structure of relation that is tried to be established with the consumers. For example, high territorial identity might allow for an origin-based differentiation, on niche intermediate markets (yarn and fabric manufacturer) if the quantities (volume) are large, but the volume is low, it means that the target is the niche final consumer. In such as case, a coherent strategy can be set up by means of promotion mass quality. And lastly, if it is small volume and a low identity, GI operates as a quality stabilizer with reference to standardized quality criteria. As we can see in the design process of the Aegean cotton, there is no strict territorial limitation however it is necessary to look at how the product territorial identity is built in relation to the area of origin in its physical and local cultural and social dimensions. Quality of the Aegean cotton that is desired to be taken under the protection with geographical indicator is defined in the legal application as following:

It is the cotton whose brighter softer and who can retain more color and can more easily be transformed into yarn (can easily bend and strong enough) due to the climatic and ecological conditions and soil characteristics of the region, in comparison to the other types of cotton.³⁹

It is interesting to note that there is no expression above about the length of the cotton.

Aegean cotton had a historical reputation with its long fibers in the cotton market. And,

³⁹ “Bölgenin iklim, toprak özellikleri ve ekolojik koşulları nedeniyle, parlaklığı ve yumuşaklığı fazla, boya alma ve iplik olabilme (bükümü, kopma mukavemeti) özellikleri diğer pamuklara göre daha iyi olan pamuktur.”

as I have mentioned earlier with the use of hybrid seeds, fiber lengths of the other regions began to be comparable with those of Aegean region. According to some researches, some cotton fibers of South-East Anatolia are even longer than the fibers of Aegean cotton. However, there is no common consensus about these researches yet. The GI project coordinator of *İME* points out that,

Aegean cotton has an ipso facto difference which is recognized worldwide. Because of the hybrid seed used in the Southeast, it became quite harder to prove this nowadays. The fiber length of the cotton produced there is, now, closer to ours. But it is quite difficult to prove this now.⁴⁰ (İzmir Mercantile Exchange, October 2008)

On the other hand, it is understood that Aegean cotton is distinguished in terms of its strength; color, softness and its capacity to retain dye are coming to the forefront. Thus the Aegean cotton is nominated as a candidate for geographical indicator protection as a result of its unique qualities due to the climatic, soil and ecological conditions of the region. A ginner who is benefiting from GI says that,

Our cotton's capacity to absorb paint is higher and it does not release paint. So it is different than the cotton grown in Urfa region. Yet, it is not an extraordinarily rare thing. I think that its characteristics which can respond to the new demands must be highlighted. I believe that if there won't be any problem in its chain, the logo will work well and it will bring price difference. For example I began to search whether it is appropriate for nano technology or its qualities which might respond such demands in the market.⁴¹ (Söke, October, 2008)

⁴⁰ "Ege pamuğunun kendiliğinden oluşan dünya çapında kabul edilen bir farklılığı var. Bunun ispatlanması şu anda biraz zorlaştı. Güneydoğu Bölgesine giren melez tohumlar sayesinde onların da lif elyaf uzunluğu bize yaklaştı. Fakat şu anda ispatlanması biraz zor."

⁴¹ "Bizim pamuğun boyayı kabul edilebilirliği fazla, boya salmıyor. Urfa bölgesinden farkı ortaya çıkıyor. Ama bulunmaz hint kumaşı değil sonuç olarak, yeni gereksinimlere cevap verecek özelliklerinin ben ön plana çıkması gerektiğini düşünüyorum. Zincirinde bir hata olmaz ise logonun çok iyi çalışacağına ve fiyat farkı getireceğine inanıyorum. Mesela nano-teknolojiye uygun olup olmadığını veya piyasada böylesi taleplere cevap verecek özelliklerini araştırmaya başladım."

The inter-regional cotton transfer, which wasn't able to be prevented, threatens the reputation and status of the Aegean cotton. In such a period in which the physical characteristics of the Aegean and South- East Anatolian fibers are compatible, interest in the geographical indicator studies increase. In the press bulletins which the *İzmir Mercantile Exchange* issued after the registration for GI, it is indicated that the first aim of the geographical indicator is “to prevent the inter-regional cotton mixture which is known as one of the most important problems of the textile and apparel sector and to improve the quality of the raw materials.” The local representatives try to differentiate their cotton with reference to quality standards demanded by processors. Hence, the uniqueness and specify of the cotton is represented with regards to processors' demands. It is understood that the Aegean cotton is tried to be differentiated with respect to its usually highlighted characteristics such as strength, color and softness. The strategy to obtain a certain niche intermediate market is based over this differentiation. The characteristics under consideration already meet the new demands of the spinning segment. As noted by Larsen (2002), recent developments in high-speed yarn spinning technology make detailed measurement of the strength of the fibers much more important, because the inherent breaking strength of individual cotton fibers is now considered to be the most important factor in determining the strength of the yarn spun from these fibers. On the other hand, in the official definition and in the GI campaigns no links are made between the product and the cultural, social and economical conditions of the region that it's produced in. The comment of the project coordination who is interviewed in *İME* supports this:

“What is aimed here is not relocation. Continuing to produce in Traditional forms and rates of production is not required to benefit from geographical indicator, there is no such a thing. Because, we had the

advantage of picking by hand in the past, now we had lost it too, at the moment almost all of the cotton is picked by the machines. Apart from this, we had local seeds which were associated with the Aegean region but now we see that these seeds are totally withdrawn from production. Thus picking by hand or by machine, using local seeds or hybrid seeds are not the criteria for enjoying geographical indicator, it does not matter”⁴² (İzmir Mercantile Exchange, October 2008).

To sum up, it is seen that the quality standards are fixed locally but according to the demands of the market. Traditional production practices are changing and in order to improve cotton quality and to meet the commercial standards. So the meaning of the GI in this particular context can be quite different than what it means in the European context. As is discussed earlier, in Europe the emphasis in determining the quality of a product is mostly made on the territorial context (in relation to the social and spatial conditions). Differentiation, here in Turkey, is based more on a standard quality approach where GI aims at reaching a homogenous and mass quality in the market. And, less attention is paid to social, historical and cultural specificities of the cotton production area. To put it in Hatanaka, Bain and Busch’s (2006) terms, objectives of Aegean Cotton GI may lead to, “standardization with some forms of differentiation” or “differentiation with some forms of standardization.”

Although GI initiative is seeking for more profit in niche markets, their profit raising strategy is not essentially based on differentiation because, as a part of the GI strategies standardization in safety, hygiene and health protection at work are required to meet commercial standards. On the other hand, actors authorized to use the GI began to

⁴² “Burada hedeflenen şey lokalleşme değil, coğrafi işaretten yararlanabilmek için belirlenen ve şart koşulan geleneksel üretimin biçimleri ve kurları gibi bir şey söz konusu değil. Çünkü bizim eskiden elle toplama avantajımız vardı şimdi onu da kaybettik, şu anda neredeyse tüm pamuklar makine ile toplanıyor. Bunun dışında ege bölgesi ile özdeşleşen yerel tohumlarımız vardı ama şu anda bu tohumların üretimden tamamen çekildiğini görüyoruz. Yani coğrafi işaretten yararlanmak için el veya makine ile toplanma, yerel tohum veya melez tohumlar kriter değil yani fark etmiyor.”

be subjected to quality controls by new private-public cooperations and coordinations constituted by the GI initiative. Registering for geographical indicators requires an agreement that guarantees regular controls. Ginners, processors and traders of the Aegean region are now subjected to regular noticed and unnoticed controls as well as “self notification”. In the design process that GI is recognized and constituted as a collective intellectual right over the geographical name of the product. And, individuals’ right to use the name is made possible with this “self notification” system. We can consider these newly established control mechanisms with the participation of local institutions and agents as a novel technique of governance. This new form of governance has two bases. One is the control network that works at the local level (GI procedure), and the other one is a control network that begins at the initial production process and ends with the final product within the supply chain (certification network). İzmir Mercantile Exchange developed a second project that will support collective monopoly strategy after the registration for geographical indicator. This the Aegean Cotton Certificate project aims to establish a control or monitoring mechanism that that even includes the final product.

Certification Chain for the Final Product

As is discussed in the first chapter, geographical indicators began to be used to enter in new and alternative marketing channels. By registering for GI, it was aimed to reach the end of the supply chain through new ways of linking the product with consumer. However, if we consider that cotton becomes ready for consumption after many different processes, we can see that that geographical indicator cannot alone operate as a tool to be used in order to found direct links with the final consumers. That’s why the “Aegean Cotton” geographical indicator practice is tried to be supported with a second project,

namely “Aegean Cotton Certificate” (*Ege Pamuğu Sertifikası*)⁴³. I argue that Aegean cotton certificate at this point will operate as a control mechanism which will function along with the chain. It won’t eliminate the number of intermediaries within the supply chain, but will create a collective monopoly and will also allow a potential added-value in the regional economy. This collective monopoly turns the competitive advantages on immobile and unique resources such as land, environment and climatic conditions into economic rent that are not available for producers outside the region. The certification project aims to set up a control mechanism from the initial stage to the final stage. It guarantees that the final product is produced of Aegean cotton, hence it operates as a means to create a collective monopoly and blocks up the entrance of the cotton producers of other regions to the chain. Thus, it makes the potential added-value to remain within the regional economy. At the same time it responds to the growing demand for certified quality products among consumers. So, it operates in a way to make consumers aware of the “local” nature of the product regardless whether the other processing processes have been completed in the region or not. In order to be more concrete, I will summarize the required implementations within the geographical indicator and certificate system below:

Operation of “Aegean Cotton” GI and “Aegean Cotton Certificate”

1. Gin plant makes application for authority to use geographical marking with required documents to the Izmir Trade
2. After required investigation is completed by Mercantile Exchange, the permission is granted to gin plant if it is suitable, thus, the agreement and the

⁴³ Please see the Aegean cotton certificate and certification chain in the appendix C.

engagement are signed. An authority number is given to gin plant with respect to the resident city–town and ginning type.

3. Gin Plant buys seed cotton from producer.

4. Seed cotton is processed at the plant.

5. Geographical sign logo, authority number and bail number are printed to the bails.

6. Gin plant continuously reports quantity of cotton with logo to Exchange weekly. Up to this section Izmir Mercantile Exchange has right to inspect gin plant minimum once a year without informing, immediately and upon a claim.

7. Exchange gives gin plant the certificate with respect to reported cotton quantity certificate manufactured according to conditions of agreement.

8. Gin plant delivers the certificate by approval of the back side at the quantity sold to yarn manufacturer.

9. Yarn manufacturer delivers the certificate to fabric manufacturer at yarn quantity produced from Aegean cotton and fabric manufacturer to the apparel manufacturer in the same manner by approving the back side and the chain has become completed.

It should be noted that the six steps of this system is realized after the study of Aegean Cotton Geographical Sign. All implementations until the sixth step are originated from registry for geographical sign by Turkish Patent Institute and legal rights belong to Izmir Mercantile Exchange. The seventh step and the followings are formed by a section planned by Izmir Mercantile Exchange for insuring the implementation of certificate. Certificate was prepared by İzmir Mercantile Exchange and presented to the use of companies under the “Aegean Cotton” geographical sign execution with specific

conditions. The front face of certificate has information about the production season of cotton, serial number of the certificate and quantity it represents and back of the certificate has map from gin plant-textile to apparel and responsible signatures. Certificates consisting of five and fifteen coupons shall be prepared by Izmir Mercantile Exchange and shall be given to gin plants in the geographical sign system with the expression of “Aegean Cotton”. Certificate shall move from the quantity of cotton sold by gin plant to yarn manufacturer, from yarn manufacturer to fabric manufacturer against yarn produced from the concerned cotton, from fabric manufacturer to apparel manufacturer plant which manufactures the final product. Each time the product is delivered, the certificate is exchanged with signing or stamping the related sections at the back page. In short, this certificate shall show the map from production to consumption (gin-textile apparel) of Aegean Cotton similar to the concept of traceability expressed in other certification schemes.

As is discussed in the first chapter, certification schemes and standards used in the supply chain of various agricultural products are designed in downstream parts dominated and guided by multinational corporations. Local actors do not have a word in designing the standards. These certification schemes, increase the competition within the supply chain, and limit the local actors’ access to the market. Moreover, local actors’ share from the value added decreases because of these certifications. Hence, we can consider these schemes as a significant tool of governance. In that sense, Aegean cotton certificate that is designed, dominated and regulated by the local actors is a significant development. This development is made possible due to the some characteristics of the global cotton supply chain. Most important examples of these characteristics are the low

level of buyer-drivenness in the global cotton supply chain and the recognition of national origins (of cotton) in end markets.

In the global cotton chain, indeed, international corporations' control or buyer-drivenness is less pronounced or trade of lint cotton is far less concentrated than the other agricultural products in the international agriculture trade. In the global coffee or tobacco chain, international traders played a significant role until early 1980s and they have gone through considerable restructuring and corporate concentration during the last two decades. Several of the large and the largest international companies have initiated out grower or input credit schemes to assure sufficient volumes of a particular national origin. In Turkey, some of the commodity chains, notably tobacco, are under the pressure of downstream concentration at the hands of few multinational corporations. However, as Larsen (2002) said, "there has been no marked trend towards global concentration, neither in the trading segment nor immediately downstream in the spinning segment" (p.6). This in turn reflects to the continued geographical fragmentation in cotton production and consumption. In addition, international trading companies have traditionally played an intermediate role between producers (ginning companies) and consumers (spinning companies) by combining supply of a variety of qualities and grades with operation on a bulk basis. There are many specific features of the global commodity chain that leads to relatively low level of buyer-drivenness and lack of any clear lead agents defining and shaping the entry of barriers along the chain. As I will discuss later, the large number of different cotton qualities produced in the world (national origins) still recognized in end-markets (Larsen, 2002). Although spinners increasingly impose new demands for detailed calibration of lint fiber properties upstream in the chain, international trading companies have so far resisted

taking on or performing any new roles or functions (e.g. upstream quality management prior to sales to spinners) and the division of labor between ginning companies, trading companies and spinners has remained largely unchanged for several decades. However, high concentration activities have been also taking place at various points in the value chain including input suppliers (seeds, chemicals, fertilizer, input packages for mechanical cotton pickers, etc.) Since the 1990s, with the entry of such inputs to Turkey, multinational corporations such as *Bayer Crop Science and Monsanto* began to be dominant in the input market in Turkey. Hybrid seeds and chemicals that are used with these seeds began to eliminate the quality differences among different regions by repressing the geographic and climatic factors. However, existing technologies still cannot reduce these factors at a minimum level. Hence, national and regional origins have still significant effects on the quality of the cotton. In that sense, Aegean cotton's attempt to be a brand at the local and global level is an effective strategy against the trends of liberalization.

Due to the increasing competition, spinning and textile markets follow from a move away from scale of relatively homogenous commodities to product differentiation as a basis for competition (Larsen, 2002). It is seen that firms are also using the national or local origin of the cotton as an image of quality to distinguish their textile products. *Izmir Mercantile Exchange Market*, too, on their web page, points out the advertisements of the products which have the label of Aegean cotton. Now, even on internet shopping sites, it is possible to see the Aegean cotton logo on some textile products. It is seen that in the advertisements of the products made out of Aegean cotton, the historical reputation of the Aegean cotton is emphasized. Here are some examples:

100% Turkish cotton, using long staple Aegean cotton for extra absorbency and softness

100% Aegean cotton is grown in Turkey by the historic Aegean Sea

100% Aegean cotton hand-picked by local farmers to ensure high quality and purity

These characteristics seem to provide the local producers an opportunity to found a collective monopoly through the use of GI protection. This opportunity is due to the immobile and unique resources such as land, environment, and climate. This potential creates competitive advantages which are inaccessible to producers who are also engaged as non local actors. So GI has a unique positioning opportunity to capture a high proportion of added value derived from these local characteristics. In this sense, “localism” that is being organized around the Aegean cotton geographical indicator aims to increase and force the inter-regional competition. Moreover, it has been institutionalizing in the basis of a strategy to get higher value added share from the global cotton supply chain. It is tried to be used as a powerful strategy offered by the global market place to foster territorial competition.

CHAPTER 5

CONCLUSION

In this conclusion part, I will briefly review the economical and social changes that take place in the Aegean region after the registration for GI. I will talk about the corporations which began to produce under GI protection, their expectations from the GI and their suggestions about the more effective uses of GI. After pointing out local actors' perceptions of the GI, I will talk about the possible future effects of the GI protection on the social and economic life of the region.

We can say that the numbers of the corporations that produce under GI protection in the region are still limited. After *Tariş*'s registration for logo in 2007, there are only six corporations in total under the GI protection in the region. According to estimation, 45 percent of the total cotton produced in the region is being marketed with GI protection and 44 percent of this cotton belongs to *Tariş*. Though, in terms of production the percentage is high, a very small percentage of the corporations registered for the GI. In addition, there is no difference in terms of price between the cotton sold with the logo and that is sold without the logo. In order to understand the reasons behind this, we should take a look at two different levels in the GI protection. The global level involves the political, institutional, and regulatory global context in which GI protection operates. The local level is concerned with the local/regional context in which GI takes place. As noted before, the larger context constrains local action but also, by providing new opportunities, it allows for local maneuvers and interactions at the local level.

Certain characteristics of the Aegean cotton resulted from the climatic and geographical conditions of the region, can answer the new standards demanded by the

global supply chain that are shaped by the technological innovations in the processing stage. This turns into a significant advantage for the Aegean cotton. That is to say, the characteristics of the Aegean cotton that is under GI protection meet the new commercial standards. I can say that local actors' initiation to register for GI in order to get a bigger share from the added value is an effective strategy.

As the share of the local actors was decreasing significantly due to the increasing costs and prices; GI protection emerges as a significant strategy to deal with the hardships caused by the liberalization policies. However, we should keep it in mind that this strategy is made possible by the specific structure and features of the global cotton supply chain. To put it briefly, the two important features of the cotton chain can be summarized as following: firstly, low level of buyer-drivenness and lack of any clear lead agents defining and shaping the entry of barriers along the chain (e.g. the lack of downstream concentration in the hands of few multinational corporations) and secondly, the large number of different cotton qualities produced in the world (national origins) still recognized in end-markets.

Thanks to this structure of the chain, local actors might get a bigger value added share in the chain. Apart from the Aegean cotton GI, there are also other geographical indicators for cotton. For example, at the beginning of the 2000s, when trade liberalization gained speed and when local producers began to marginalize economically and socially, Egypt and Korhogo cotton is registered for GI protection with the initiative of the regional governments. There is no research about these GIs. Hence, it is not possible to talk about the structures and details about these two cases. However, it is possible to say that registration for the GI is a successful strategy to promote three types of cottons (including the Aegean cotton), within the global supply chain. In this sense,

they emerged as a powerful strategy for the added value generation opportunities offered by global market place.

As is mentioned above, the characteristics of the Aegean cotton are in accordance with the commercial standardization. However, preservation of the traditional modes of production and protection of the producers is not on the agenda of the GI. On the contrary, with the GI protection it is aimed to create a mass quality stabilizer that will meet the commercial standards. The GI process is a process of incorporation into the world market. In this market, the rules and conditions of the competition are based on price and prices are determined by the economic and political apparatuses. As all of the actors, including producers, traders and the representatives of the institutions, in the region had argued, in the market rules and conditions of competition are not set up on a fair basis. Accordingly, local actors emphasized that GI, is not an enough endeavor to increase the competency of the Aegean cotton. Executives of the *Izmir Mercantile Exchange* and of the other local institutions that initiated the GI registration Project notified the government about the problems of the cotton sector and to ask the government to take precaution about the critical situation of the cotton market. They are also trying to form a public opinion about the issue. They pointed out the hardships they, themselves and producers face due to the increasing input rates and premiums that are insufficient and late premiums. As I have argued before, the targeted market after the GI registration is not the niche final consumer rather the niche intermediate markets (yarn and fabric manufacturer). So, as is mentioned, the aim of the GI is to function as a mass quality stabilizer both in terms of quality and scale of the product. In this sense, in order the GI Project to be successful (as the local actors

argued) there needs to be more investment not only from the region but also from outside of the region.

It is important to understand the local context in which GI takes place in order to have an insight about the changes that might occur in the local supply chain. This, also, will allow us to understand the ways within which power relations is transformed in the region. Accordingly, in the following part, I want to conclude with a discussion on the distribution of the economic returns and burdens that GI will bring out, in the supply chain. I will also discuss what kind possible differentiations might occur among the traders and producers themselves.

First of all, I will examine the issue in relation to the situation of ginners. Producing under a logo, does not increase the production costs of the ginners. And, the cost of logo doesn't create an entry barrier in participating in the supply chain for the ginners. However, in spite of this, the number of the private ginners who are benefiting from the logo is very limited. The main reason of this is that, ginner factories do not want to be subjected to the control mechanisms run under the coordination of GI initiative. Some private ginner companies which mix the Aegean cotton with the cotton of different regions can be given as an example to the ginner companies which doesn't want to register for logo. Or, as the means of production have to be upgraded due to registration for GI, the ginner factories which do not want to upgrade their instruments, are not willing to produce under a logo. Because this brings additional cost. For instance, the five ginner factories which are producing under the logo, in Izmir and Söke in which the best quality cotton is grown, are the factories which have the most advanced and modern technologies. The owners of these factories, own factories other than these ginners factories, hence they have additional incomes. For example, they

produce technical equipments necessary for processing and packing the cotton and market these to other ginner factories. Moreover, the owners of these five factories are high educated and they are the administrators of *Izmir Mercantile Exchange*. They also represent the Aegean cotton processors and traders in the international meetings. These people have played active roles in designing and founding the GI Project in the region and they are known to be the leaders of the initiative to protect the historical reputation of the Aegean cotton. They try to differentiate themselves from the ginner who mix the Aegean cotton with that of other regions and who give credits to the producers with high interest rates and make benefits informally. In line with the observations above, I want to turn back to the question regarding the differentiation among the cotton producers within the region in relation to the production under logo. If the ginner factories that are producing under the logo highlight their own strict quality standards, there might be a differentiation among the producers who produce according to these standards and who do not. This might contribute to the ongoing economic marginalization of the small ginner who do not and cannot produce under these strict quality conditions.

On the other hand, as the number of the corporations which register for the logo increases, and as the exchange relations within the supply chain becomes formal, the added value mechanism might develop more in favor of the producers. *Tariş*'s registration for the GI is a significant advantage for local producers. The commercial relation that is established between *Tariş* and producers guarantees that every possible price increase in marketing the cotton will reflect to the producers. However, if we think that *Tariş*, itself is a well known and a strong brand that is well associated with Aegean cotton, logo, indeed, doesn't play any role in *Tariş*'s marketing strategies and practices. *Tariş* buy products only from its shareholders who produce in the Aegean Region and

these producers have to prove with official documents how and how much they had produced. Hence, *Tariş* representatives argued that, *Tariş* registered for the logo in order to answer *İzmir Mercantile Exchange* call to support the project. The *Tariş* representatives I've talked with argued that GI Project will definitely contribute to the world-wide reputation of the Aegean cotton. However, they also emphasized that the some traditional characteristics of the Aegean cotton is the source of this world scale reputation and now the Aegean cotton is loosing these characteristics- such as hand picking and traditional local seed-. In spite of this, since the Aegean cotton is produced with GMO Free seeds, *Tariş* representatives said that, there is a good deal of change to find niche market in the world market.

As I have mentioned in the second chapter, GI protection is not an obstacle in front of the creation of sub-brands by producers. For example, *Tariş* can introduce a sub-brand in addition to GI logo. If *Tariş* gives priority to marketing the cotton produced in traditional ways, it can increase its chance both in the world market and niche market. This can also increase the competitiveness of the small producers who benefit more from the traditional production ways. As is seen, as oppose to the individual monopolies of the multinational corporations or the third part certification bodies in the design and control certification chains, there is a collective monopoly in the certification chain of the Aegean cotton. This collective monopoly rests on the economic rent of immobile and unique resources such as land, environment, climatic advantages which are inaccessible to producers who are also engaged in competition as non-local actors. So, for that reason, Aegean cotton GI can be perceived as an effective policy to cope with the continual pressure of economies of scale in the production of standardized and simplified products.

The path that the GI application will follow in the future is debatable. We have to wait to find the answers to the questions such as, will the GI bring additional profit, if so how would it happen, if not, why not, how will this additional profit be distributed within the local supply chain, how does the GI transform the power relations with the supply chain. I wanted to bring out a discussion about how and in which ways the local actors identify such questions. Finally, I want to point out an actual outcome of the GI Project. Even though, this Project operates through a top-down decision making process, it also leads to the creation of a collective right of property over collective resources (as is in the case of the geographical name) and to the creation of a collective structure that regulates the uses of individual rights over these collective resources. Transition to this structure, is also a transition from local products to localized products. This should be understood as a reflection of the transition from government to governance, which is a transition that plays an important role in structuring the global markets.

There is an attempt of the local actors to reorganize their production and marketing mechanisms according to the changing structures of global markets. As I have emphasized throughout the paper, I don't see this strategy of localism as a resistance organizing against the rationale of global market. On the contrary, I believe that this localization is immanent in globalization. This thesis focused on the story of the designation and registration of the GI Project for the Aegean cotton in relation to opportunities raised by the global market. I hope that the thesis will promote a critical view in understanding the ways in which current expansion of geographical indication labeling globally represents an opportunity to examine new forms of local-global connections in the making.

APPENDIX A
Indications of Geographical Origin Protected in the Turkey

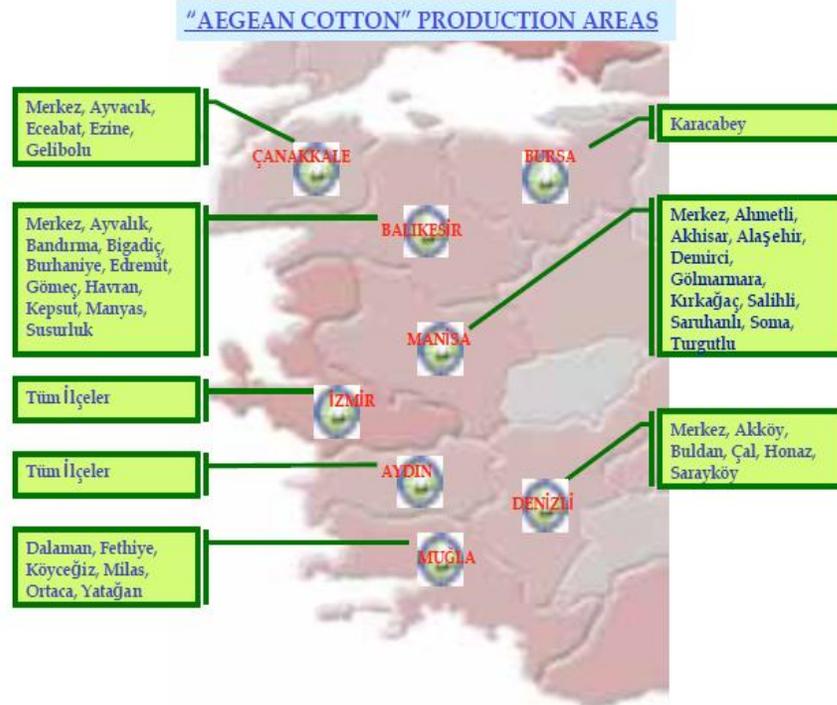
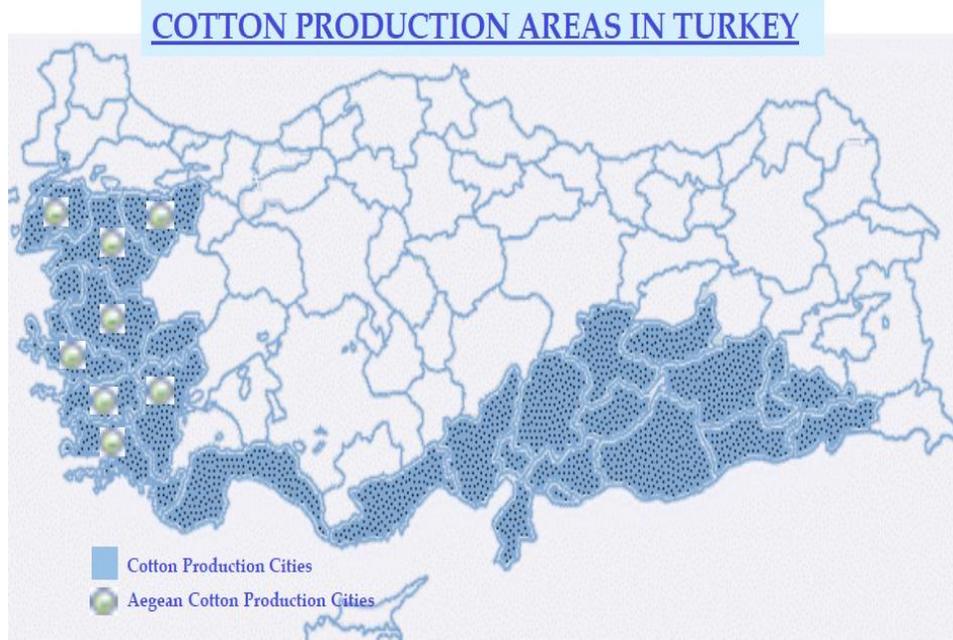
	A	B	C	D	E	F	G	H	Total
Producer association and cooperatives	3	1	2		1		3		10
Governmental agencies	6			3	4		6	5	24
Municipality	8				7		1		16
Trade associations	10	2	2	4	8		2	1	29
Private or individual owner	1				2	3	24		30
Total	28	3	4	7	22	3	36	6	109

source: calculations from data available at web site of Turkish Patent Institute <http://www.tpe.gov.tr>

- A: Fruit, vegetables and other crops
- B: Cheese
- C: Olive and olive oils
- D: Products of animal origin
- E: Local foods and drinks
- F: Wines and spirits
- G: Handicrafts
- H: Non-food products

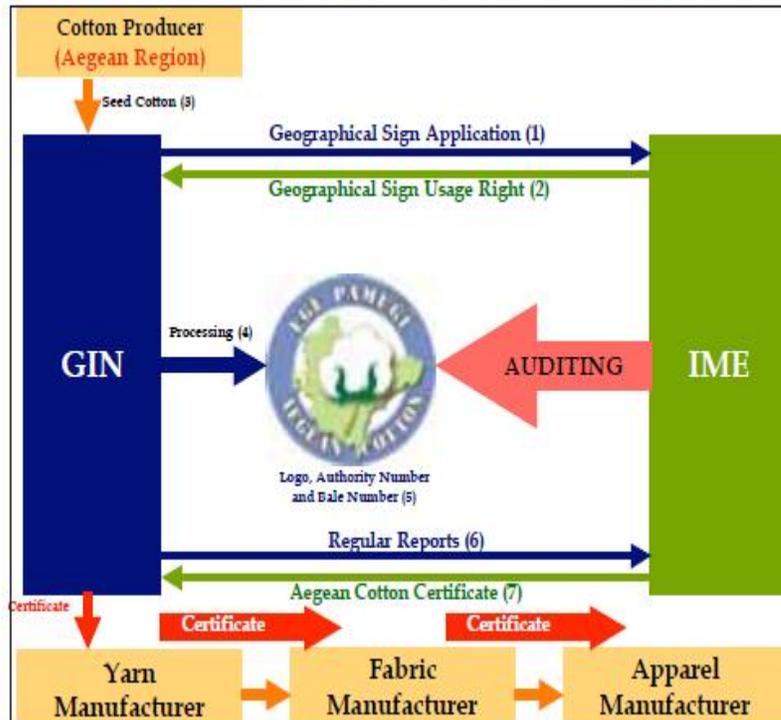
APPENDIX B

Cotton Production Areas In Turkey



APPENDIX C

Certificate of Aegean Cotton and Its Chain



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