



AGENDA

66th Plenary Meeting of the
International Cotton
Advisory Committee

Izmir, Turkey

ORDRE DU JOUR

66ème Réunion Plénière du
Comité Consultatif
International du Coton

Izmir, Turquie

AGENDA

66a Reunión Plenaria del
Comité Consultivo
Internacional del Algodón

Izmir, Turquía

October
Octobre
Octubre
2007

66TH PLENARY MEETING OF THE INTERNATIONAL COTTON ADVISORY COMMITTEE

Chairman

Tuncer Kayalar

Undersecretary of the Prime Ministry for Foreign Trade
Republic of Turkey

First Vice-Chairman

Elena Cores

Chair of the Standing Committee
Ministry of Agriculture
Spain

Organized by:

Undersecretariat of the Prime Ministry for Foreign Trade

PLENARY SESSIONS

Plenary Sessions are open to delegates, observers and invited guests. The Chairman may, however, exclude observers and guests if necessary in view of the nature of discussions.

OPEN SESSIONS

Open Sessions are open to delegates, observers and invited guests. Observers and guests, as well as delegates, may speak during open sessions upon recognition by the Chair.

STEERING COMMITTEE

The meeting of the Steering Committee, which is devoted to administrative matters, is open only to delegates of member governments.

DRAFTING GROUP

The Drafting Group, which prepares the Statement of the 66th Plenary Meeting, is open only to delegates of member governments.

BREAKOUT SESSIONS

In addition to the production conference, the host country is organizing five breakout sessions on topics of interest to all plenary meeting participants. These sessions will be conducted in English only.

ARRANGEMENTS FOR THE MEETING

The 66th Plenary Meeting of the International Cotton Advisory Committee (ICAC) will be held in Izmir, Turkey, from October 22–26, 2007. The theme of the meeting will be Strategies for National Competitiveness. Opening ceremonies, plenary and open sessions, and meetings of the Steering and Drafting committees and the offices of the Secretariat will be located at the Hilton Hotel in Izmir.

Persons entering the meeting room must wear a name badge, available by registering at the Secretariat Registration/Information Desk. During the plenary meeting, delegates may pick up meeting documents at the Secretariat Registration/Information Desk. Delegations should designate one person to pick up documents. Two sets of meeting documents will be provided to each member-government delegation. One set will be provided to non-member-government delegations and international organizations. Observers are required to pay a registration fee of US\$450 for registration by fax or in person. The fee is reduced to US\$425.00 for on-line registration in advance. The registration fee includes the cost of documents.

The Order of the Day will be available each afternoon for the following day. The Order of the Day will report schedule changes, additional sessions and details of events. Draft minutes of sessions will be available on the day following each session. Minutes of sessions held on the final day will be e-mailed or faxed to heads of delegations. Delegations are allowed fifteen business days from the end of the plenary meeting (November 16, 2007) to notify the Secretariat of changes in the minutes.

Country reports on the cotton situation and other statements and presentations should be received by the Secretariat prior to the plenary meeting in one of the official languages of the Committee, preferably in English. However, statements received by November 16, 2007 can still be included in the proceedings. The Secretariat welcomes e-mails sent to <carmen@icac.org> attaching Word or WordPerfect text files that do not contain placed images. Tables, charts and images should be provided as separate Word, Excel or PowerPoint files. Computer diskettes or original printouts mailed to the Secretariat or delivered at the meeting are acceptable.

Delegates are asked to make copies of planned statements available to the Secretariat before their presentation for distribution to the interpreters.

PROPOSED AGENDA AND TIMETABLE

Strategies for National Competitiveness

Saturday, October 20, 2007

16:00 Meeting of the Private Sector Advisory Panel (PSAP)
Sec. General's Conference Room (by invitation)

Sunday, October 21, 2007

8:00 Set up of Trade Booths

10:00 Registration in the Hilton Hotel
to 16:00 Tours and shopping opportunities

13:30 Meeting of the Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC)
Turgut Reis Room, Hilton Hotel (observers welcome, pre-registration requested)

19:00 Welcome Cocktail Reception, hosted by Exporter's Association, Hilton Hotel

Monday, October 22, 2007

8:00 Registration at the Hilton Hotel

9:00 Inauguration

- Welcoming Remarks by Ülker Güzel, Deputy Undersecretary for Foreign Trade, Republic of Turkey
- Welcoming Remarks by the Mayor of Izmir Metropolitan Municipality
- Welcoming Remarks by the Governor of Izmir
- Welcoming Remarks by the Chair Tuncer Kayalar, Undersecretary for Foreign Trade, Rep. of Turkey

- Welcoming Remarks by Kürşad Tüzmen, Minister of State of the Rep. of Turkey

Inaugural Session

Chair: Ülker Güzel, Deputy Undersecretary for Foreign Trade, Republic of Turkey

- Report of the Chair of the Standing Committee, Elena Cores, Ministry of Agriculture, Spain
- Report from the Private Sector Advisory Panel, John Mitchell, Cargill Cotton, USA
- Report of the Executive Director, Terry Townsend
- Overview of the Agenda by Ziya Altunyaldiz, Chair of the Organizing Committee
- Approval of the Agenda of the 66th Plenary Meeting
- Welcoming Remarks on behalf of all delegates by the UK

10:30 Tea/coffee

11:00 First Open Session: Strategies for National Competitiveness in Textile and Garment Industries

Chair: Halit Narin, President of the Turkish Textile Employers' Association (TUTSIS)

Speakers:

- Ahmet Öksüz, Vice Chairman of Istanbul Textile & Raw Materials Exporters' Association, Turkey, Outlook for the Turkish Textile Industry
- Ziya Altunyaldiz, Deputy General Director of Exports, Government of Turkey, Rapid Transformation of Turkish Textile and Clothing Sectors in the Global Arena
- Matthias Knappe, International Trade Centre, Competitiveness Requirements of the Textile Industry
- Shafqat Ellahi Shaikh, Chairman, All Pakistan Textile Mills Association
- Mohamed Dhaoui, UNIDO, Upgrading Productive and Trade Capacities in Textile and Garment Industries
- Discussion

13:00 Lunch for all participants

14:30 Second Open Session: Strategies for National Competitiveness in Cotton Production

Chair: Sabri Ünlütürk, Chairman of Aegean Textile & Raw Materials Exporters' Association, Turkey

Speakers:

- Célestin Tiendrébéogo, General Director, Société Burkinabè des Fibres Textiles (SOFITEX), Burkina Faso, Competitiveness Ideas from West Africa
- Nick Earlam, Managing Director, Plexus Cotton Ltd. UK., An Example of International Investment
- Fatih Doğan, Vice Chairman of Akdeniz Textile & Raw Materials Exporters' Association, Turkey, Logistical, Marketing and Quality Issues Affecting the Competitiveness of Cotton
- Tuğrul Yemişçi, Member of Turkish Parliament, Former President of the Izmir Cotton Exchange, Possibilities of Creating a Mediterranean Regional Market
- Discussion

16:30 Adjourn

19:00 Cultural Performance 'Anatolia Cradle of Cultures' and Cocktail Prolong hosted by the Mayor of Izmir

Tuesday, October 23, 2007

8:00 Registration

9:00 Third Open Session: Social, Environmental and Economic Performance (SEEP) of Cotton Production

Chair: Sebahattin Gazanfer, Member of the PSAP, Former General Manager of TARIS, Turkey

Panel Discussion:

- Allan Williams, Chair of the ICAC Expert Panel on SEEP, Technical Director of the Better Cotton Initiative, Australia, Interim Report from SEEP
- Francesca Mancini, Vice Chair of SEEP and Sustainable Agriculture and Farmer Education Specialist, FAO, The Work of FAO related to SEEP
- Mark Messura, Cotton Incorporated, USA, Production Practices and Marketplace Realities: Improving the Competitive Position of Cotton
- Discussion

- 10:30 Tea/coffee
- 11:00 **Fourth Open Session: Outlook for Cotton Supply and Demand**
 Chair: İskender Özdemir, Adana Mercantile Exchange, Member of the Assembly, Turkey
 Speakers:
- Report from the Secretariat, Outlook for World Cotton Supply and Demand
 - Report from the Secretariat, Costs of Cotton Production
 - Outlook for Chinese Supply and Use; Competitiveness of Chinese Cotton
 - Rajaram Jaipuria, Chairman & Managing Director, Ginni Filaments Ltd. India, Outlook for Indian Supply and Use; Competitiveness of Indian Cotton
 - Talat Şentürk, Acting General Directorate of Agricultural Production and Development, Ministry of Agriculture, Outlook for Turkish Supply and Use; Competitiveness of Turkish Cotton
 - Mark Lange, National Cotton Council of America, Outlook for U.S. Supply and Use; Competitiveness of U.S. Cotton
 - Hüseyin Veliöğlu, General Manager of TARIS (Dried Figs and Cotton and Oil Seeds Sales Cooperatives Unions), Turkey, Cotton in Aegean Region and Taris
 - Discussion
- 13:00 Lunch for all participants
 Lunch meeting of the International Forum for Cotton Promotion (IFCP), Secretary General's Conference Room (by invitation)
- 15:00 **First Plenary Session: Cotton and Multilateral Trade Negotiations**
 Chair: Hasan Yalçın, Deputy General Director of Agreements, Government of Turkey
 Speakers:
- Report from the Secretariat
 - Chiedu Osakwe, Director, WTO
 - Aylin Bebekoğlu, Head of Department in General Directorate of Agreements, Government of Turkey, WTO Negotiations on Cotton: The Turkish Perspective
 - Discussion (government representatives only)
- 17:00 Adjourn
- 19:00 Conference Dinner hosted by the Governor of Izmir

Wednesday, October 24, 2007

- 8:00 Meeting of participants in the International Training Workshop on Cotton Quality and Standards
- 9:00 **Second Plenary Session: Statements**
 Chair: Ziya Altunyaldız, Deputy General Director of Exports, Turkey
- Statements from International Organizations
 - Statements from Member Countries
- 9:00 **Breakout Session: Progress Toward Industry Standardization**
 Chair: Axel Drieling, Senior Manager Cotton, Bremen Fiber Institute, Germany
 Speakers:
- Andrew Macdonald, Brazil, Report from the Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC)
 - John Beck, International Cotton Association (ICA), Report on Standardization of Trade Rules
 - Çiğdem Kılıçkaya, Head of Department, General Directorate of Standardization for Foreign Trade, Government of Turkey, Standardization of Cotton in Turkey
 - Neal P. Gillen, American Cotton Shippers Association, USA
 - Discussion
- 10:30 Tea/coffee
- 11:00 **Second Plenary Session: Statements (continued)**
 Chair: Ziya Altunyaldız, Deputy General Director of Exports, Turkey
- Statements from Member Countries
 - Statements from Non-Member Countries

- 11:00 **Breakout Session: Demand Enhancement**
 Moderator: Jeff Silberman, Executive Director of the International Forum for Cotton Promotion (IFCP)
- Ira Livingston, Livingston Int'l Consultant, LLC. USA, Building Demand for Cotton: Competition in the Global Market
 - Mark Messura, Cotton Incorporated, USA, Influencing Chinese Consumers with Cotton Promotion
 - Jeff Silberman, Cotton Promotion Student Incubator Projects
 - Panel Discussion by the IFCP
- 12:30 Lunch for all participants
- 13:30 Departure for Mother Mary's House and Ephesus
 Alternative Technical Tour available
- 18:30 Return to Izmir, evening program open

Thursday, October 25, 2007

- 7:00 Breakfast meeting of plenary meeting host committees, Sec General's Conference Room (by invitation)
- 8:00 Registration
- 8:30 **Fifth Open Session (Meeting of the Committee on Cotton Production Research)**
 Chair: Oktay Gençer, Professor, Director of Cotton Research Center, Çukurova University, Turkey
 Technical Seminar: The Vision for Technology in 2025
- Mustafa Ali Kaynak, Dean (Retd.), Faculty of Agriculture, Adnan Menderes University, Aydin, Turkey, Production Problems in 2025
 - Yechiel Tal, Hazera Genetics, Israel, Cotton Breeding in 2025
 - Mario Rodríguez Rico, Coalcesar, Colombia, Farmer's Perspective for Cotton Production in 2025
 - Patricia O'Leary, Cotton Incorporated, USA, New Technologies in 2025
- 9:00 **Meeting of the Steering Committee of the International Year of Natural Fibres (IYNF)**
 (observers welcome)
- 10:30 Tea/coffee
- 11:00 **Fifth Open Session (Technical Seminar) continued:**
- Michel Cretenet, CIRAD-CA, Crop Management in 2025
 - Axel Drieling, Bremen Fiber Institute, Germany, Fiber Quality Measurements in 2025
 - Dean Ethridge, International Textile Center, Lubbock, USA, Summary of WCRC-4
 - Topic for the 2008 Technical Seminar
 - Discussion
- 11:00 **Breakout Session: The Effect of Global Warming on Cotton Production**
 Chair: Işık Tarakçıoğlu, Professor, Head of the Department of Textile Technologies, Ege University, Department of Textile Engineering, Turkey
 Speakers:
- Cesar Izaurralde, Global Climate Change Institute at the University of Maryland, USA
 - Jens Soth, Coordinator for Research & Implementation Activities Organic Cotton Value Chains, Helvetas Organic Cotton Center, Switzerland, The Role of Sustainable Cotton Production Systems in Mitigating Global Warming
 - Burçak Kapur, Lecturer, Çukurova University, Turkey
- 12:30 Lunch for all participants
- 13:45 **Meeting of the Drafting Group** (member country delegates)

- 13:45 **Breakout Session: Traceability in Cotton Production and Consumption, Special Regional Efforts to Protect Quality Brands and Logos**
 Chair: Guillaume Pagy, Member of the Aegean Textile & Raw Materials Exporters' Association, Turkey
 Speakers:
 - Barış Kocagöz, Vice Chairman of the Board, Izmir Cotton Exchange, Turkey, Efforts to Promote a New Cotton-mark: "Aegean Cotton"
 - Karim Shafei, Gherzi, Egypt
- 15:30 Tea/coffee
- 16:00 **Meeting of the Steering Committee** (member country delegates)
 Chair: Elena Cores, Chair of the Standing Committee
 - Election of Standing Committee Officers
 - Approval of the Report of the Committee on Cotton Production Research
 - Approval of the Statement of the 66th Plenary Meeting
 - Other Business
- 16:00 **Breakout Session: Price Risk Management in Cotton**
 Chair: Jak Eskinazi, Chairman of the Aegean Ready Wear and Clothing Exporters' Association, Turkey
 Speakers:
 - İlhan Küçükahmetler, Aegean Regional Manager of Denizbank, Turkey
 - Hamdi Bağcı, General Secretary of Turdex (Turkish Derivatives Exchange), Turkey
 - Louis Goreux, Consultant, The Price Smoothing Plan in Burkina Faso
- 17:30 Adjourn
- 19:30 Gala Dinner at the Izmir Cultural Park hosted by the Organizing Committee of the 66th Plenary Meeting

Friday, October 26, 2007

- 9:00 **Sixth Open Session: Biotech Cotton: Situation and Solutions**
 Chair: Georges Yaméogo, Director, Développement de la Production Cotonnière, Burkina Faso
 Speakers:
 - Aydın Kesen, Chairman of the Board, Izmir Cotton Exchange, Turkey, The Developments in Production and Trade of Biotech Cotton In Turkey and Traceability
 - Rob Tripp, Overseas Development Institute, UK, Biotech Cotton and Resource-Poor Farmers
 - Willem Olthof, Policy Advisor, EC Policies Regarding Biotech Cotton
 - P.D. Patodia, Prime Textiles Ltd. India, Situation of Biotech Cotton in India
- 10:30 Tea/coffee
- 11:00 **Closing Plenary Session**
 Chair: Ülker Güzel, Deputy Undersecretary for Foreign Trade, Republic of Turkey
 - Invitation from Burkina Faso to the 67th Plenary Meeting
 - Closing comments by the Chair on behalf of Turkey
 - Closing comments by Brazil
 - Closing comments by other countries
- 12:00 Lunch for all participants

REPORT OF THE CHAIR OF THE STANDING COMMITTEE

Elena M. Cores
Spain

to the 66th Plenary Meeting of the
**INTERNATIONAL COTTON
ADVISORY COMMITTEE**

Mr. Chairman,
Distinguished Delegates to the 66th Plenary Meeting of the International Cotton Advisory Committee,
Observers and Guests,

On behalf of the members of the Standing Committee, myself, and my country Spain, I would like to express our deep appreciation and congratulations to the Government of Turkey, and especially to the Ministry of Foreign Trade and the Organizing Committee for hosting the 66th Plenary Meeting of the International Cotton Advisory Committee. We are touched by the warm welcome and hospitality we have received in this beautiful and historic city of Izmir. We would like to thank each and every one of the persons who have worked and contributed to the organization of this event.

Turkey joined the ICAC in 1947, exactly 50 years ago, and this is the third time the Government of Turkey hosts an ICAC plenary meeting. We really appreciate the interest and support of Turkey in the work of the ICAC during all these years.

The theme of the plenary meeting this year is “Strategies for National Competitiveness.” We are certain that during this week very interesting debates and discussions will be held about the problems that the cotton sector is confronting to adapt to current highly competitive conditions in the cotton and cotton textile economies.

Mr. Chairman, it is my responsibility as Chair of the Standing Committee to report on the activities of the Standing Committee since the 65th Plenary Meeting which was held in Goiania, Brazil, last year. I am pleased to inform you that the Standing Committee has had a productive year. The 65th Plenary Meeting charged the Standing Committee with the task of forming an Expert Panel on Social, Environmental and Economic Performance of the world cotton industry to provide information of both the positive and negative social, environmental and economic aspects of global cotton production. The Standing Committee was also charged with working with the World Trade Organization (WTO) to conduct annual workshops on cotton trade and development aspects, and with continuing the evaluation of the impact of government measures on cotton price and trade. The Standing Committee has also worked closely with the Secretariat on the membership of the ICAC, the control and approval of the annual budget, the proposal of the new officers of the Standing Committee, and the approval of the agenda of this 66th Plenary Meeting.

Between November 2006 and September 2007 the Standing Committee met five times and I would like to thank all delegates and officers of the Standing Committee for their work and support during this year. Particularly, I want to thank Ms. Cecilia Marincioni of Argentina, who served as First Vice Chair, Mr. Jacob Pasgo of Burkina Faso, who served as Second Vice Chair, and also Mr. Michael Keune of Germany and Mr. James Johnson of the United States, who served as Chair and Vice Chair of the Subcommittee on Budget.

Expert Panel on SEEP

Mr. Chairman, one of the main decisions of the 65th Plenary Meeting was to form an Expert Panel on Social, Environmental and Economic Performance (SEEP) of the world cotton industry. It was decided that the aims of the expert panel would be to provide the ICAC with objective, science-based information on the negative and positive social, environmental and economic aspects of global cotton production, to gather information from around the world on costs of agricultural labor and the factors that affect those costs, and to make

recommendations for further action as appropriate to improve the social, environmental and economic performance of the cotton industry.

During this year the Secretariat has contacted experts and organizations to identify persons interested to serve on the Expert Panel. Member governments of the ICAC have also nominated experts from their countries with interest and knowledge of the social, environmental and economic performance of cotton to serve on the Expert Panel.

The Standing Committee approved the membership of the Expert Panel in its 486th meeting in February 2007. Currently, the Expert Panel is formed by 13 members from ten countries and a representative of FAO.

The Expert Panel conducts its business primarily via e-mail, with the Secretariat providing logistical support. A first meeting has taken place at the World Cotton Research Conference in Texas, United States, in September 2007, and a second meeting is scheduled for April 2008 in Bremen, Germany. Additional meetings may be scheduled as determined by the panel members. The work of the Expert Panel is expected to extend for approximately two years.

I want to thank all members of the Expert Panel on SEEP for their work and interest in this matter.

Government Measures

The 65th Plenary Meeting instructed the Standing Committee and the Secretariat to continue their work with the WTO to conduct annual workshops on cotton trade and development aspects.

Under this instruction, the Secretariat of the ICAC organized a conference on "Trade and Development Aspects of Cotton in the Doha Round" in partnership with the African Cotton Association (ACA) and the WTO Secretariat, which was held on March 23rd, 2007 in Accra, Ghana.

The Standing Committee also discussed government measures affecting cotton production and trade in all the meetings that took place during this year, and particularly in the meeting held in May 2007, where the Secretariat presented its report on government measures.

ICAC Membership

The Task Force on Membership was formed in 2006 to raise awareness of issues concerning membership. During 2007 the chair of this task force, the executive director of the ICAC, and myself have held meetings with several ambassadors of different countries in Washington DC to talk about membership and to provide information about the ICAC.

Currently, the member countries of the ICAC are 44. The Republics of Kazakhstan and Zambia joined the ICAC during the 65th Plenary Meeting in Brazil, and the Republic of Kenya joined the ICAC in 2007. The membership of the Republic of Benin was reactivated in 2007 too.

I would like to welcome all these new members to the ICAC and to thank Mr. Jacob Pasgo, Chair of the Task Force on Membership, for his job during these two years.

International Year of Natural Fibers

Mr. Chairman, in December 2006, the United Nations General Assembly declared 2009 to be the International Year of Natural Fibers (IYNF), with FAO (Food and Agriculture Organization of the United Nations) as the Coordinating Agency. FAO has assembled a Steering Committee composed of approximately 25 representatives of natural fiber industries including bamboo, flax, silk, wood, cotton and others. The purpose of the IYNF is to raise consumers' awareness of the role of natural fibers in the world economy.

The ICAC has always supported the declaration of the IYNF and the agenda of this 66th Plenary Meeting was expanded to include a meeting of the IYNF Steering Committee on Thursday, October 25th, during this plenary meeting.

I am sure this will allow government and cotton industry representatives an opportunity to meet with representatives from other fiber organizations and to interact with members of the Steering Committee in preparation for 2009.

ICAC Budget

One of the important functions of the Standing Committee is to oversee and control the budget of the ICAC and to approve the assessments for each year. The Standing Committee monitors the budget through the Subcommittee on Budget.

I want to thank those delegates and officers who participated in the work, sometimes tedious, of the Subcommittee on Budget. I also want to take this opportunity to thank governments for their efforts to remain current in the payment of the assessments of the Secretariat. These payments are very important for the proper work of the ICAC.

ICAC Secretariat and Officers

One of the functions of the Standing Committee is to forward a recommendation about the nomination of next year's officers for the approval of the plenary meeting. I fully endorse the nomination of Ms. Cecilia Marincioni of Argentina, as Chair, Mr. Jacob Pasgo of Burkina Faso, as First Vice Chair, and Dr. Ashraf El-Rabiey of Egypt as Second Vice Chair.

Mr. Chairman, I would like to take this opportunity to express my gratitude to each and every member of the Secretariat for their hard work and for their competence and professionalism over the years. I want to welcome Mr. Alejandro Plastina, new economist of the ICAC, who joined the Secretariat at the beginning of this year.

I would like to thank especially Dr. Terry Townsend, Executive Director of the ICAC, for his help and support during all the years I have served as delegate of my country, Spain, and as officer of the Standing Committee in the positions of second vice chair, first vice chair, and chair. Let me assure you that it has been a very interesting and great experience.

Finally, I really want to thank again the Government of Turkey for hosting this 66th Plenary Meeting of the International Cotton Advisory Committee, I wish you a very interesting and productive plenary meeting.

Thank you.

REPORT
of the
EXECUTIVE DIRECTOR

Terry P. Townsend

to the 66th Plenary Meeting of the
INTERNATIONAL COTTON
ADVISORY COMMITTEE

Izmir, Turkey

October 21-26, 2007

Mr. Chairman, distinguished delegates, observers and guests, thank you for the opportunity to address this 66th Plenary Meeting of the ICAC since 1939.

The past year has been a year of anticipation, anxiety and also accomplishment for the world cotton industry and the Committee. The world is anticipating a constructive result in the discussions in the World Trade Organization (WTO), and hopefully there will be a successful conclusion to the Doha Round in the near future. There is anxiety about production difficulties in some countries, particularly in the Currency of Francophone Africa (CFA) zone, as well as concerns about declining mill use in almost all countries outside Asia. There also have been significant accomplishments in the past year.

Anticipation of the Doha Round

Eight countries provided an estimated US\$4 billion in direct support to the agricultural segments of their cotton economies during 2006/07. The value of world cotton production at international prices was approximately US\$35 billion in 2006/07. Thus, government measures represented 11% of the value of world production. During 2005/06, government measures totaled US\$6 billion and represented 19% of the value of world production.

There is broad recognition that distortions to production and trade caused by government measures in agriculture reduce income and lower wealth in the aggregate. There is also recognition that reductions, revisions or the elimination of government measures in countries that provide subsidies may result in economic dislocations and changes in land use patterns that may not be desired.

The venue for negotiation of reductions in agricultural subsidies is the WTO. The ICAC has a role in the WTO process. Reports from the Secretariat inform governments about the nature and scope of distortions in cotton caused by government measures, and discussions in the ICAC help to raise the profile of cotton and emphasize the need to reduce government measures that distort production and trade. Government support for the cotton sector in OECD member countries accounts for only 1% of government measures in agriculture, and yet cotton has attained prominence in the current round of trade negotiations, partially due to the work of the ICAC.

A successful outcome to the Doha Round is a strategic objective of the ICAC, and the agenda of this 66th Plenary Meeting accords special prominence to the issue of government measures by scheduling discussion during the First Plenary Session on Tuesday. The annual report on government measures and associated work to analyze the impacts of government measures on the cotton industry are among the most important components of the Secretariat work plan.

There has been valuable progress in the Doha Round. Members of the WTO have agreed to the elimination of export subsidies by developed countries in 2006 and on duty free, quota free access for cotton exports from Least Developed Countries from the beginning of the implementation period. There was also agreement during the Hong Kong Ministerial in December 2005 that trade-distorting domestic subsidies for cotton production should be reduced more ambitiously than under whatever general formula is agreed, and that this commitment should be implemented over a shorter period of time than generally applicable.

Despite these concrete steps, it is broadly recognized that overall progress in the Doha Round so far has been disappointing. Nevertheless, the best hope for discipline in the cotton sector is still a successful outcome in the WTO talks. As noted by the WTO Secretariat in a letter for the

489th Meeting of the Standing Committee on September 6, 2007, the current prospects for reductions in government measures in cotton are linked to an ambitious outcome on all pillars of the agriculture negotiations. According to the WTO Secretariat, Members of the WTO need to find a way to operationalize the distinct mandate on cotton within the context of the cuts and disciplines being pursued under the domestic support pillar, in the key areas of AMS, on the blue box generally, on the level of ambition for overall trade-distorting domestic support, and in relation to commodity-specific commitments. Accordingly, it would be constructive if the member governments of the ICAC, in the Statement of the 66th Plenary Meeting, encourage WTO negotiators to make progress on all three pillars of the talks on agriculture in the WTO so that improvements can be achieved in the cotton sector.

Anxiety About Declining Production and Mill Use

As will be discussed more fully during the Fourth Open Session, there has been strong growth in world cotton consumption and production during this decade linked to technology change, rising incomes, competitive cotton prices and effective research and promotion efforts. Nevertheless, production and mill use are declining in some regions, and the competitive pressures felt by the cotton sector as a whole are substantial.

In particular, declining production of cotton in the CFA zone, where cotton provides the livelihoods for millions, and reduced mill use of cotton in developed countries, where textile traditions are sometimes centuries old, are sources of anxiety. Cotton production in the CFA zone rose to a record of 1.1 million tons during 2004/05 but fell to 800,000 tons last season, a drop of one-fourth in just two seasons. Mill use in industrial countries fell from 4.4 million tons to 1.7 million tons in just over a decade, a decline of some 60%. Regions other than the CFA zone and countries other than industrial countries are experiencing declines in production and consumption, but these two examples typify the intense competitive pressures existing in the cotton production and processing pipeline.

The First, Second, Fifth and Sixth Open Sessions during the plenary meeting are devoted to topics related to the theme of the meeting, "Strategies for National Competitiveness." Many speakers during these sessions will note that improved transportation and storage to increase speed-to-market and lower marketing costs, adoption of appropriate technologies to lower costs and raise productivity, improvements in the systems of input supply to producers, and targeted marketing of products are key to national competitiveness. The discussions during these sessions will provide opportunities to explore how governments can best encourage competitiveness and how the ICAC can facilitate cooperation in achieving competitiveness goals. It is the objective of this meeting to identify best management practices and best government policies to encourage national competitiveness, and to communicate those findings so as to facilitate adoption.

Regarding the competitiveness of African cotton production, as noted during the Fifth Annual Meeting of the African Cotton Association in Accra in March 2007, Africans themselves acknowledge that technology change, competition with chemical fibers, exchange rates and other factors contribute to a harsh competitive environment in the cotton market. Africans recognize that they must continue to improve quality, lower costs, and rationalize the management of their industries in order to compete. However, they note that much progress toward sectoral reform in Africa has already been accomplished during the past decade, while direct subsidies to producers in some developed countries have changed very little since the 1980s. The international community must not allow inefficiencies in Africa to serve as an excuse for distortions elsewhere.

Significant Accomplishments Recorded

CSITC

The world has moved forward in ensuring that, as instrument testing of cotton expands, standardized procedures and definitions are utilized so that results are comparable. Approximately one-third of world cotton production is instrument-tested at the producer level now, and this proportion is rising. Member governments of the ICAC can take much satisfaction in the knowledge that the Committee is serving a concrete function within the world cotton industry by facilitating cooperation between governments and the private sector through the work of the Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC).

As explained by the director general of the WTO in a speech given in September 2006, international standards can bring enormous benefits to consumers and producers alike by bringing about cost savings and facilitating trade. WTO members have issued a strong statement of encouragement in the Agreement on Technical Barriers to Trade for countries to use international norms whenever possible, and the director general of the WTO urged that international standards should be harmonized worldwide so as to avoid duplicative or conflicting norms. The work of the ICAC is contributing directly to achievement of this goal.

CFC Projects

Since the 65th Plenary Meeting, three cotton projects funded by the Common Fund for Commodities (CFC) were approved and implementation begun. These included a fast track project in Argentina to test the feasibility of an attract-and-kill approach to boll weevil control, a fast track project dealing with the production and marketing of uncontaminated cotton in Mali, and a regional consultation on biotechnology in cotton conducted in Pakistan. In addition, the contracts between the CFC, ICAC and the Project Executing Agency to implement a major four-year project to assist developing countries in the adoption of instrument testing systems were prepared. It is hoped that this project will finally be implemented with support from the CFC and the European Union in 2008.

The work of the Secretariat of the CFC, under the direction of Ambassador Ali Mchumo who serves as Managing Director, is much appreciated.

Conferences

The Fourth World Cotton Research Conference (WCRC-4) since 1994 was conducted successfully in Lubbock, Texas during September 2007, and 26 Research Associates attended under the sponsorship of the ICAC. The theme of the WCRC-4 was Cotton: Nature's High-Tech Fiber. There were approximately 500 participants in the WCRC-4 from 50 countries, and more than 300 papers were presented over four days. Rafiq Chaudhry, Head Technical Information Section of the Secretariat, working with Dean Ethridge of Texas Tech University and the U.S. Organizing Committee, did an excellent job in organizing the WCRC-4.

A conference on the Trade and Development Aspects of Cotton in the Doha Round was conducted in Accra in March 2007 in cooperation with the African Cotton Association. This conference provided a venue to showcase the importance of cotton to African countries and to ensure that the interests of African countries in the WTO are communicated to government officials.

A conference on Opportunities for Increased Trade in Cotton and Textiles was conducted in April 2007 in Dhaka in partnership with the cotton and textile industries of Bangladesh. Participation in the Dhaka conference was approximately 200 people, and the event helped to raise the profile of the ICAC in Bangladesh.

A conference on the World Cotton and Textile Market: Outlook and Vision for 2010, was conducted in Tashkent in September 2007 in cooperation with the Government of Uzbekistan. Cotton exports and mill use are important components of the economies of Uzbekistan and other countries in Central Asia, and prospects for growth in cotton are of great interest to government officials in the region.

SEEP

During this year, the Committee established an Expert Panel on the Social, Environmental and Economic Performance of Cotton Production (SEEP), and the members of SEEP held their first meeting during the WCRC-4 in Lubbock in September. The purposes of SEEP are to provide objective, science-based information about cotton production; gather information on costs of agricultural labor and the factors that affect those costs to assess their impacts on the social performance of cotton; and to develop practical recommendations to improve the performance of the cotton industry. More information about the work of SEEP and the performance of the cotton industry will be provided during the Third Open Session of the plenary meeting.

Research

In addition to the conferences, CFC projects and other activities of the past year, a number of important research projects were accomplished. Carlos Valderrama served as economist and head economist for the Secretariat for 19 years and did much valuable work. It is a pleasure to welcome Alejandro Plastina as the newest member of the Secretariat. Andrei Guitchounts, Armelle Gruere and Alejandro Plastina make an effective and productive economics team for the Secretariat.

The Secretariat developed a new statistical model of international cotton prices. On the basis of information received at the plenary meeting in Brazil last year, combined with a preponderance of evidence indicating a persistent imbalance in estimates of supply and use in China (Mainland) going back to the mid-1990s, estimates of production, use and stocks in China were revised substantially. There is now an international consensus that official estimates in China do not fully capture all sources of production, and the revisions to estimates of cotton supply and use in China by the Secretariat are contributing to transparency in the cotton market. There will be additional discussion of the outlook for cotton supply and use and the new statistical model of cotton prices during the Fourth Open Session. During the Fourth Open Session, the Secretariat will also summarize very interesting information on costs of cotton production in many countries.

The Secretariat and FAO jointly completed two important pieces of research during the past year, including a tri-annual survey of world apparel fiber demand at the retail level, and a model of world fiber supply and use through 2020. An annual report on government measures in cotton was updated.

Demand Enhancement

The work of the International Forum for Cotton Promotion (IFCP) is of great importance. The IFCP is a private sector organization composed of 18 member organizations from around the world. The IFCP serves as a clearinghouse for proven techniques of cotton demand enhancement. The purpose of the IFCP is to facilitate the expansion of national demand enhancement activities. IFCP grew out of discussions in the ICAC during plenary meetings in Australia, Zimbabwe and Egypt from 2000 to 2002. As with the work of the CSITC, member governments of ICAC can take satisfaction in knowing that the work of the IFCP is contributing concretely to the health of the cotton industry. The IFCP is led by their able executive director, Jeff Silberman, and their Chair this year, Mark Messura. Both deserve much credit for their leadership.

Membership

Another accomplishment of significance to the Committee as an institution, is that membership grew to 44 countries during the past year, up from 40 countries at the start of the plenary meeting one year ago. The new members include Benin, whose membership was reinstated, Kazakhstan, Kenya and Zambia; their support for the ICAC is highly welcomed. Despite encouraging progress in recruiting new members, some governments continue to question the value of the ICAC. The arguments for continued government support for the ICAC are strong. The ICAC provides public infrastructure in support of the cotton industry that cannot be performed in the private sector. International commodity bodies serve as instruments of cooperation between developed and developing countries. The ICAC does not intervene in markets, but the Committee influences variables that affect the cotton market. The ICAC supports economic development through technology transfer and improved market transparency, and the work of the Committee is of special value to developing countries. However, the ICAC is more than just a development agency: the ICAC is an instrument of cooperation and communication to the benefit of all participants in the cotton economy.

Membership in the ICAC is of value to all countries that produce, consume or trade cotton. Membership provides tangible benefits in the form of increased access to statistics and technical information provided by the Secretariat. Membership in the ICAC can lead to increased funding for cotton research through the Common Fund for Commodities. Most importantly, membership in the ICAC provides the avenue for each cotton industry, including cotton textile industries, to join fully into the fraternity of cotton countries in discussions of cotton issues of international scope and significance.

Acknowledgements

The mission of the ICAC is to assist governments in supporting a healthy world cotton economy. The Committee achieves this mission by raising awareness of cotton issues, by providing information necessary for decision-making and by facilitating cooperation among industry segments and governments on matters of shared international concern. The Committee and the Secretariat have been active during the past year, and the 66th Plenary Meeting will contribute to the achievement of these objectives.

The purpose of a plenary meeting is to move forward through agreements to cooperate and through the identification of best practices appropriate for national adoption. Plenary meetings serve as a vehicle to raise the profile of cotton, provide information crucial to decision making and to facilitate cooperation on matters of shared concern.

It is highly gratifying to note that the governments of Burkina Faso and South Africa have extended specific invitations to the Committee to host future plenary meetings. Pakistan, Tanzania and Kazakhstan have also indicated an interest in hosting meetings. The Committee has accepted the invitation from Burkina Faso to host the 67th meeting in 2008 as well as the invitation of South Africa to host the meeting in 2010.

It has been a great pleasure to work with representatives of the Government of Turkey and the Organizing Committee to prepare for this 66th Plenary Meeting. The Organizing Committee has been active in all aspects of the meeting, including selection of the theme, identification of major topics and speakers and arrangements for the meeting and social program. The support of Turkey for the ICAC is much appreciated.

I also want to acknowledge the members of the Secretariat whose organizational work is crucial to the functioning of the ICAC throughout the year, and especially during each plenary meeting. Fred Arriola, Carmen S. León, Caroline Taco, John Mulligan, Rosa Soper and Yi Cao do much good work for the ICAC and the cotton industry.

The work of the Private Sector Advisory Panel (PSAP) is contributing substantially and specifically to the effectiveness of the ICAC, and the Chair of the PSAP will report during the Inaugural Session of the Plenary Meeting. John Mitchell of Cargill Cotton serves very ably as Chair of the PSAP. All members of the PSAP serve at their own time and expense, and their counsel is highly constructive. Neal Gillen of the United States serves as the ICAC representative to the United Nations Commission on International Trade Law (UNCITRAL). His service helps to raise the profile of the ICAC within the UN system and brings increased international attention to the issue of defaults on contracts and valid arbitral awards within the cotton industry.

I also want to acknowledge the work of the Standing Committee and its officers. Elena Cores of Spain, Cecilia Marincioni of Argentina and Jacob Pasgo of Burkina Faso ensured that the agendas of meetings were focused and relevant and that meetings of the Standing Committee were conducted efficiently. In addition, Jacob Pasgo served as Chair of the Task Force on Membership, and under his leadership membership in the Committee has increased. I also want to acknowledge Michael Keune of Germany and James Johnson of the U.S. who served as Chair and Vice Chair of the Subcommittee on Budget. The Subcommittee on Budget is an unglamorous task, but its work is necessary in providing appropriate oversight and government involvement in the management of the Secretariat.

I thank member countries for the privilege of serving as executive director, and I look forward to a successful 66th Plenary Meeting.



International Cotton Advisory Committee

Doha Round

Best Hope for Discipline in Cotton is the WTO.

- Reductions in direct support to agriculture,
- Increases in agricultural and non-agricultural market access.

Objective of the 66th Plenary Meeting:

- Identify Best Management Practices
- Identify Best Government Policies
- Facilitate Adoption

Standardization

ICAC is serving a concrete function to Facilitate Competitiveness:

- **CSITC**
- **Common Trade Rules**

Benefiting Both Buyers and Sellers

Conferences

- **WCRC-4, Lubbock**
- **Trade and Development Aspects of Cotton in the Doha Round, Accra**
- **Opportunities for Increased Trade in Cotton and Textiles, Dhaka**
- **World Cotton and Textile Market: Outlook & Vision for 2010, Tashkent**

Social, Environmental and Economic Performance of Cotton Production (SEEP)

1. **Provide Objective Information**
2. **Labor Costs**
3. **Pragmatic Recommendations**

RESEARCH

- **ICAC Price Model 2008**
- **Government Measures**
- **China (M) Statistics**
- **Cost of Production**
- **FAO/ICAC Research**

ICAC: Public Infrastructure

- **Technology Transfer**
- **Market Transparency**
- **Instrument of Cooperation and Communication**

Plenary Meetings:

Raise Profile of Cotton
Provide Information
Facilitate Cooperation

ICAC Team

Secretariat

Private Sector Advisory Panel

UNCITRAL Representative

IFCP

Standing Committee

Advisory Committee

Version: 20 October 2007

**COTTON AND MULTILATERAL TRADE NEGOTIATIONS:
RECENT DEVELOPMENTS**

**Chiedu Osakwe
Director
Doha Development Agenda Special Duties Division**

**66TH PLENARY MEETING OF THE INTERNATIONAL COTTON ADVISORY
COMMITTEE (ICAC) - FIRST PLENARY SESSION**

IZMIR, TURKEY, 23 OCTOBER 2007

I. INTRODUCTION

1. The last report by the WTO Secretariat to the International Cotton Advisory Committee (ICAC) was at its 65th Plenary Meeting, in Goiania, Brazil, in September 2006.

2. The work of ICAC is important and relevant for the WTO in the Doha Development Agenda (DDA). We value the relationship between our two organizations. This relationship is focused on information exchange on developments in the cotton sector, data and technical advice that the ICAC Secretariat shares with the WTO. WTO Members welcome the development assistance and capacity building initiatives provided by ICAC in support of the implementation of the Doha mandate on the development assistance aspects of cotton. On the part of the WTO Secretariat, we look forward to further strengthening our relationship with ICAC.

3. Cotton remains one of the core areas to which WTO Members attach importance in the DDA. Since the last Report by the WTO to the ICAC Plenary in Goiania, the negotiations, including the situation in the cotton dossier, have significantly evolved. In March this year, Director-General Pascal Lamy convened a High Level Session on Cotton. The outcomes were useful. In July, draft Modalities in Agriculture were circulated. These modalities reflected essential elements of the trade policy aspects of cotton. Overall, the Doha negotiations are at a critical stage. The WTO continues to look forward to the strong policy support of ICAC for an ambitious outcome and early conclusion of the Doha Round. Such an outcome is essential to contribute to growth in the global economy and support the efforts of countries to achieve their development objectives, particularly in low income countries.

II. STATUS OF THE DOHA ROUND

4. Where do we currently stand on the DDA? The negotiations fully resumed in February this year, after the 2006 suspension. The locus of the negotiations is in Geneva, in a bottom-up, fully transparent and inclusive multilateral process. Members are constructively engaged and the intensity is increasing. Substantive progress is being made, but the negotiations are complex and much technical work remains to be done. There are political decisions to be made, and the negotiating pace requires greater acceleration. Agriculture remains one of the "gateway" issues. A breakthrough in agriculture will provide the necessary impetus to accelerate negotiations in other areas, although it is equally clear that any final agreement will be linked to a comparably high level of ambition in Non-Agricultural Market Access (NAMA), and improved quality of offers in Trade in Services. A final agreement will only be based on the Single Undertaking, covering all mandated areas of the negotiations. The immediate objective by WTO Members is to achieve a breakthrough on modalities by the end of this year. In the evolving negotiations, the vast majority of WTO Members considers that the draft modalities texts for agriculture and NAMA (industrial goods) provide a good basis for the negotiations. Last week's Declaration by the Heads of Government of India, Brazil and South Africa (IBSA), in Tshwane, South Africa, made a positive contribution to these efforts.

5. The Summit Leaders stated that:

"These negotiations are now in a genuine multilateral process, with draft modalities texts for agriculture and industrial goods that provide a good basis for the negotiations".¹

6. The development dimension of the negotiations is of priority importance for all Members. One of the central considerations at the launch of the DDA was to ensure that the multilateral trading system maintained the process of reform and liberalization of trade policies, so as to ensure that the system played its part in the promotion of recovery, growth and development. In Doha, Ministers acknowledged the major role of international trade in the promotion of economic development and the alleviation of poverty. The Doha Round is focused on development and the effective introduction of a development dimension to the rules-based multilateral trading system.

7. In a recent statement on immediate required action, Director-General Pascal Lamy stressed:

" the next two months are crucial. A deal is doable. It is not easy politically, but it is doable. The intensity of negotiation at a high political level is increasing – that is a good sign. But let us be very clear that we must focus on getting the deal done – the time for rhetoric, or for casting blame, is long past. The next two months are all about making compromises to come to a conclusion, nothing less".²

III. RECENT DEVELOPMENTS ON COTTON

8. Members of ICAC are already familiar with the background and mandate for cotton in the DDA. Cotton is being addressed on the two tracks of trade policy, and development assistance. Pursuant to the mandate, WTO Members agreed to address the trade policy aspects, ambitiously, expeditiously and specifically within the agriculture negotiations. Members agreed that work shall encompass all trade distorting policies affecting the sector in all three pillars of market access, domestic support and export competition. On the development assistance aspects, the mandate is for the WTO Secretariat and the development community to work collaboratively for the purpose of effectively directing existing programmes and mobilizing any additional resources towards the development of economies where cotton is of vital importance. The development assistance track also encourages necessary domestic reforms in the beneficiary countries. Progress has been made on both aspects, although much remains to be done. On the trade policy aspects, significant progress has been made, but this progress remains conditional on the conclusion of the Doha Round. This is why an expeditious conclusion of the Doha Round is vital for all WTO Members and ICAC.

¹ Summit Declaration by IBSA (India, Brazil and South Africa) at Tshwane, South Africa. The three Leaders agreed that the draft modalities texts for agriculture and NAMA "provide a good basis for negotiations" (paragraph 23).

² Director-General Pascal Lamy: "Scaling Up and the Role of IDA", Statement to the Development Committee, Washington, 21 October 2007.

9. A third track exists: the legal track. This track operates autonomously of the DDA mandate. It is based on the case by Brazil against the United States³ and which is currently under the Article 21.5 Compliance Procedure. The case is still *sub judice*. The dispute settlement option is a right, available to all WTO Members.

A. COTTON – DEVELOPMENT ASSISTANCE ASPECTS

10. In March this year, the Director-General convened a High Level Session on Cotton. The HLS was a stock-taking exercise of the two tracks. It also addressed itself to the mandate for coherence between the trade policy and development assistance aspects. At the HLS also, further information and clarity were sought on domestic cotton sector reforms in the cotton proponent countries.

11. The HLS reaffirmed the 2004 and 2005 mandates on cotton. Participants re-committed themselves to the treatment of cotton ambitiously, expeditiously and specifically. They stressed coherence between the trade policy and the development assistance aspects. Significantly, all participants agreed that there would be no outcome on the Doha Round, without an outcome on cotton.⁴ At the same time, participants also understood that there would be no outcome on (the trade policy aspects of) cotton without an overall outcome on the DDA. These positions and the outcomes from the HLS further underlined the significance of cotton.

12. Implementation of the mandate on the development assistance aspects is taking place within the institutional framework of the "Director-General's Consultative Framework Mechanism on Cotton". Eight consultations have been held so far; with the last one on 18 June. The 9th Round is envisaged for 19 November. In previous rounds of consultations, the objectives of the Director-General were to press for the design of programmes for cotton development assistance, encourage the bilateral and multilateral development communities to mobilize and increase the level of development assistance for cotton, and encourage the recipients to deepen their commitments to domestic cotton sector and wider economic reforms, and accelerate implementation of those reforms.

13. The commitments of the development community are reflected in the "Evolving Table on Cotton Development Assistance". The Table is divided into three principal parts:

- Part I contains commitments for cotton-specific development assistance. These entries currently total 97. They cover a range of programmes, projects and activities. These include: support for national cotton sector strategies, including cotton sector reform; systems for cotton testing, classification and labelling; financing of ginning factories; rapid instrument testing technologies, etc.
- Part II contains assistance provided for cotton within the broader framework of agriculture and infrastructure-related development assistance programmes. These entries currently total 62. Projects which have featured encompass: trade infrastructure for road transportation; irrigation systems; warehousing; construction and rehabilitation of testing laboratories; support for food security, rural welfare and livelihood programmes; market-based instruments for mitigating commodity price and weather risk, etc.

³ "United States – Subsidies on Upland Cotton".

⁴ TN/AG/SCC/W/7: Director-General's Consultative Framework Mechanism on Cotton. High Level Session on Cotton. "Director-General's Summary Remarks", 16 March 2007.

- Part III contains "available" resources released from the Multilateral Debt Relief Initiative (MDRI), the Poverty Reduction and Growth Facility (PRGF) and the Heavily Indebted Poor Countries Initiative (HIPC), which the beneficiary countries could allocate (either through capital or recurrent expenditure) to the cotton sector on the basis of national development priorities.

14. The Evolving Table has emerged as the principal tool for tracking and monitoring the commitments of the development community. It is the basis of the oversight efforts to bridge the gaps between commitments and disbursements and monitor operational implementation. Eventually, it is envisaged to assist evaluation at different levels.

15. The current efforts by the Director-General are targeted at encouraging the development community to accelerate the pace of operational implementation of their notified commitments and close the gaps that exist between commitments, on the one hand, and disbursements, on the other.

16. Implementation of the mandate on cotton development assistance remains work in progress. The role and contributions by ICAC have been positively acknowledged by the WTO. We encourage ICAC to intensify its contributions.

B. COTTON – TRADE POLICY ASPECTS

17. The trade aspects of the Cotton Initiative is part of the Single Undertaking in the Doha Round. Progress has been made, although conditional on the conclusion of the Doha Round.

18. At the WTO Hong Kong Ministerial Conference in 2005, progress was made on the two pillars of export competition and market access, when Ministers in their Declaration,⁵ agreed that:

- all forms of export subsidies for cotton would be eliminated by developed countries in 2006; and,
- developed countries would give duty- and quota-free access for cotton exports from Least Developed Countries from the start of the implementation period for the agreed reform in agriculture.

19. On the third pillar of domestic support, Ministers agreed that trade distorting domestic support for cotton production would be reduced "more ambitiously than for whatever agreed general formula to be implemented, and over a shorter period of time than generally applicable". Resolution of the outstanding issue of distortions in the domestic support pillar is only possible, therefore, within the context of the negotiations on agriculture, where there have been three notable developments this year.

20. First, draft Modalities for Agriculture⁶ were circulated on 17 July 2007, by the Chairman of the Committee on Agriculture Special Session (CoA/SS)/Chairman of the Sub-Committee on Cotton (SCC). Regarding cotton, in paragraph 42 of the draft, the modalities proposed for the reduction of domestic support is the following formula:

⁵ WT/MIN(05)/DEC: paragraph 11.

⁶ Job(07)/128: Draft Modalities for Agriculture, Committee on Agriculture, Special Session, 17 July 2007.

$$R_c = R_g + \frac{(100 - R_g) * 100}{3 * R_g}$$

Where:

R_c refers to specific reduction applicable to cotton as a percentage

R_g refers to general reduction in AMS as a percentage

21. In this formula, 3 is the correction coefficient introduced to determine the specific rate of AMS reduction for cotton, so as to meet the requirements for *specificity* and *more ambition*.⁷ There is no agreement on this proposal currently reflected in the draft modalities. Although the cotton proponents welcomed this draft proposal (which they originated), the United States has rejected this formula for proposed reduction in domestic support for cotton. However, negotiations are underway in the Chairman's Room E process. Members are intensively engaged. The United States has indicated that it would present a counter-proposal, in the context of how cotton would be treated in the basic framework of overall reductions of domestic support and when there is better knowledge of the size of the final agriculture package.

22. The second notable development is the acceptance by the United States to negotiate reductions of Overall Trade Distorting Domestic Support (OTDS) within the ranges indicated by the Chairman in the draft modalities text; i.e. between US\$13 and US\$16.4 billion.⁸ This provided a boost to the negotiations in agriculture, with potentially positive implications for cotton. Members interpreted this as a signal of flexibility on the part of the US, even though specific details are yet to be provided, and US' acceptance was conditional on commensurate commitments in market access in agriculture and NAMA.

23. The third development was a proposal by the cotton proponents and the African Group on the development assistance aspects of cotton and coherence between the trade and development aspects, for inclusion in the draft agriculture modalities text. The current draft modalities are exclusively focused on the trade policy aspects. Essentially, the proposed draft text on the development assistance aspects of cotton would acknowledge the progress made so far in the Director-General's Table on Cotton Development Assistance, and states that it shall be the basis for further implementation progress. The proposal also states that implementation shall be in accordance with the mandate for coherence between the trade policy and the development assistance aspects.⁹

IV. CONCLUSION

24. Cotton is of systemic importance in the Doha negotiations and the multilateral trading system. It has emerged as a test of the development dimension in the negotiations. The negotiations show that beyond the Cotton-4 and 32 other African countries that produce and trade cotton, other countries are affected.¹⁰ The treatment of the cotton dossier is evolving

⁷ This formula is the same as proposed by the Cotton Proponents in TN/AG/GEN/22 and TN/AG/SCC/GEN/6: "Modalities and Disciplines on Cotton in the Agriculture Negotiations", 16 June 2006.

⁸ This US position emerged in September in the Room E agriculture negotiating process.

⁹ The mandate for coherence on cotton is provided for in paragraph 5 of Annex A on Agriculture in the 1 August 2004 General Council Decision (WT/L/579).

¹⁰ Brazil and Paraguay.

principally along the two tracks of the trade policy and development assistance. On both tracks, progress has been registered. But it is obvious that the resolution of the trade policy issues is linked to the ambitious conclusion of the DDA negotiations. The dispute settlement track functions independently.

25. The C4 continue to underline the imperative of urgency in addressing the trade distortions in the sector because of short-term cotton price volatility, and the associated risks for the viability of the sector in their countries and in other African countries. They have underscored the point that their poverty reduction efforts, survival and food security programmes are linked to the viability of the cotton sector. In relation to this point, WTO Members stress the necessity for a conclusion of the DDA negotiations as soon as possible.

26. The International Cotton Advisory Committee has paramount expertise on cotton. The WTO Secretariat greatly values information it receives from ICAC on prices, market trends and country-specific situations. We welcome ICAC's contribution to WTO implementation of the mandate on cotton development assistance. We welcomed the decision taken by the Standing Committee at its 482nd Session in Washington to "Scale Up Development Assistance", in assisting African countries with the adoption and operationalization of instrument testing systems. The WTO Secretariat continues to look forward to strengthening its relationship with ICAC. We hope that this 66th Plenary meeting would add its voice and give its support to an ambitious and early conclusion of the DDA negotiations.



INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington, DC 20006 USA

Telephone (202) 463-6660 • Fax (202) 463-6950 • email Secretariat@icac.org

Statement of the 66th Plenary Meeting

“Strategies for National Competitiveness”

The International Cotton Advisory Committee met in Izmir, Turkey during October 22-26, 2007 for its 66th Plenary Meeting since 1939. 521 people participated in the meeting, including representatives from 44 governments and 9 international organizations.

1. Record Growth in Demand: The Secretariat estimates that world cotton mill use is increasing for the ninth consecutive season to a record 27 million tons (Annex I). World cotton consumption is estimated to be above production this season, while world production is estimated lower than last season at 26 million tons. Cotton prices are expected to be higher than in recent seasons. Nevertheless, the world price is expected to remain lower than the long-term average, and many countries report that cost pressures remain significant.

2. Urgent Completion of Doha Round Needed: Member Governments reaffirmed that subsidies, tariffs and quotas that distort production and trade reduce cotton prices and lead to negative impacts on cotton farmers and the economies of developing and least developed countries. The successive decreases in international prices have reduced profitability in recent years and have caused a decrease in production in some countries. The Committee called on the WTO and its members to urgently complete the Doha Round of multilateral trade negotiations. A balanced, ambitious and timely conclusion of the Doha Round would contribute to prosperity in the global economy, poverty reduction, and strengthen the rules-based multilateral trading system. The Committee noted that progress will be possible only if developed and developing WTO members are willing to compromise on key issues, including reductions in direct support to agriculture and increases in agricultural and non-agricultural market access. The Committee agreed that a collapse of global trade talks could thwart efforts by developing countries to capitalize on higher world prices for cotton. The Committee noted the outcomes of the WTO 2007 High Level Session on Cotton, which concluded that cotton remains one of the ‘litmus tests’ of the development content of the Doha Round. The Committee understands that there cannot be an outcome in the Doha Round without an outcome on cotton, and there cannot be an outcome on cotton without a conclusion of the Doha Round.

2.1. The Committee acknowledged the Sectoral Initiative on Cotton from the four African countries of Benin, Burkina Faso, Chad, and Mali, supported by the African Union (AU), the African, Caribbean and Pacific countries (ACP) and the least-developed countries. The Committee noted the importance of the Initiative in contributing to solutions to problems involving cotton production. The Committee strongly supported the mandate for the trade and development aspects of the WTO Initiative on Cotton and noted that substantive progress on both is imperative in order to ensure coherent policy treatment, as mandated by WTO Members. The Committee recalled that members of the WTO agreed to treat cotton ambitiously, expeditiously, and specifically. The Committee welcomed the efforts of the WTO Director-General Pascal Lamy to reach a satisfactory resolution of the cotton dossier.

3. Strategies for National Competitiveness: The Committee recognized that competitiveness is market driven. The development of human resources, improvements in quality throughout the

value chain from fiber to apparel, strong research and development efforts and creative marketing strategies are required for competitiveness. Governments can enhance competitiveness in both cotton production, as well as in textile and clothing production, through the observation of social standards and intellectual property rights, the development of a strong investment climate to encourage private initiative and investments in storage, transportation, and communication infrastructure and through support for research and development. The Committee noted that maintaining cotton's competitiveness with synthetic fibers is an important aspect of "Strategies for National Competitiveness". The Committee also noted that demand enhancement efforts can be an important component of such strategies. It was noted that macroeconomic factors, such as trade rules and exchange rates, have significant impacts on national competitiveness. The elimination of subsidies would contribute to international competitiveness. Cotton production can be enhanced with regulations that provide non-distorting incentives for investment in production inputs and with mechanisms for price risk management. It was agreed that the Committee would continue to gather information about current conditions and pragmatic strategies for competitiveness in cotton production and textile and garment manufacturing. The Committee welcomed the news that a National Cotton Council has been formed in Turkey to advance the interests of cotton and implement market-strengthening measures.

4. Cotton Serves as a Sustainable Engine of Economic Development: The Committee heard from the Chair of its Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP). The Panel is collecting information from countries representing diverse farming systems around the world and will report to the Committee in 2008. Countries emphasized the importance of reporting on the legal and social working conditions of those involved in cotton production, together with the related costs per country. Without adequate remuneration, education and a solid social structure, it is difficult to achieve ecological awareness among farmers and to foster good management practices.

5. Industry Standardization Promotes Competitiveness: The Secretariat reported that initiatives toward standardization of instrument testing and the use of standardized trade rules in cotton were moving forward, and that these initiatives are helping the cotton industry lower costs and improve quality in competition with synthetic fibers. The Secretariat reported that the ICAC Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC) began conducting round trials during 2007 to facilitate international standardization of instrument testing and provide diagnostic information to individual testing centers in order to improve performance.

6. The Committee received a report from its Private Sector Advisory Panel. The PSAP recognizes the importance of the work of the International Forum for Cotton Promotion (IFCP) and encouraged continued support by the ICAC. The PSAP reported that excess moisture in cotton bales is a growing problem from several origins, and the PSAP recommended that the Secretariat facilitate cooperation with the International Textile Manufacturers Federation (ITMF) to gather information and address the issues of bale moisture measurements, standards and education. The PSAP reviewed the ICAC Strategic Plan. Specific strategies for each goal were reviewed with significant progress noted. The PSAP reaffirmed that the goals of the Strategic Plan remain relevant and strategies are appropriate. The PSAP reported that it believes the ICAC is a globally respected advocate for the cotton industry and a dependable source for factual, unbiased information. The Panel commended member governments for promoting communication and cooperation throughout the world of cotton, and expressed appreciation for the consideration of recommendations from the private sector.

7. The International Forum for Cotton Promotion (IFCP) conducted a breakout session on demand enhancement during the Plenary Meeting. Participants in the session agreed that

building demand enhancement programs through the entire supply chain can increase cotton consumption, and that it is important to understand and influence the consumer at the retail level. The program reaffirmed that the work of the IFCP is important. The Committee agreed that efforts to build demand contribute to the health of the cotton sector and urged that the work of the IFCP continue.

7.1. Members of the IFCP noted that some companies and organizations are making inaccurate negative statements about the social and environmental impacts of cotton production to promote their own interests and products. The IFCP encouraged its members to identify companies and organizations making misleading statements so as to raise awareness of the questionable validity of such claims and to report such companies or organizations to appropriate international and national regulatory institutions.

8. Membership Rising: The Committee welcomed **Kenya** as its newest member and recalled that **Kazakhstan** and **Zambia** had joined in the past year. There are now 44 members of the ICAC. Member governments noted that the ICAC provides public infrastructure in support of the cotton industry that cannot be provided by the private sector, and that the ICAC is an instrument of cooperation and communication to the benefit of all participants in the cotton economy.

9. CFC and EU Support for Cotton Development: The ICAC expressed its appreciation to the Common Fund for Commodities (CFC) for supporting commodity development and acknowledged the benefits to the cotton industry of projects financed by the CFC. Since the Fund became operational in the early 1990s, a total of 19 cotton projects valued at \$63 million have been supported. The ICAC also expressed its appreciation to the European Union (EU) under its All-ACP Support Programme on Agricultural Commodities, for its support of an ICAC/CFC project to assist African countries to implement instrument testing systems.

10. Izmir, The Pearl of the Aegean: The Committee thanked the Government and cotton industry of **Turkey** for their hospitality and generosity in serving as host of the 66th Plenary Meeting, and noted that the city of Izmir deserves its reputation as the Pearl of the Aegean. Countries agreed that Izmir is an excellent location for international events.

11. The efforts of the Secretariat and Organizing Committee in preparing for the plenary meeting were much appreciated.

12. The Committee accepted an invitation from the Government of Burkina Faso to host the 67th Plenary Meeting in the city of Ouagadougou during November 17-21, 2008. An invitation to host the 69th Plenary Meeting in South Africa in 2010 was also accepted.

MEMBER GOVERNMENTS

Argentina, Australia, Belgium, Benin, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Kazakhstan, Kenya, Republic of Korea, Mali, Netherlands, Nigeria, Pakistan, Paraguay, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United Kingdom, United States of America, Uzbekistan, Zambia, Zimbabwe.

ANNEX I

SUPPLY AND DISTRIBUTION OF COTTON

October 26, 2007

Years Beginning August 1

	2003	2004	2005	2006 Est.	2007 Proj.	2008 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	9.492	8.964	12.138	12.746	13.16	12.15
CHINA (MAINLAND)	2.509	2.465	2.639	4.004	3.76	3.91
USA	1.172	0.751	1.196	1.317	2.06	1.37
PRODUCTION						
WORLD TOTAL	21.135	27.065	25.523	26.751	26.22	27.11
CHINA (MAINLAND)	5.289	7.086	6.612	7.966	7.84	8.13
USA	3.975	5.062	5.201	4.700	3.95	3.74
INDIA	3.043	4.131	4.097	4.760	5.18	5.54
PAKISTAN	1.708	2.482	2.089	2.091	2.37	2.49
UZBEKISTAN	0.893	1.134	1.210	1.171	1.10	1.12
BRAZIL	1.309	1.299	1.038	1.524	1.50	1.54
OTHERS	4.918	5.871	5.276	4.539	4.28	4.55
CONSUMPTION						
WORLD TOTAL	21.739	23.681	24.916	26.320	27.23	27.52
CHINA (MAINLAND)	7.224	8.300	9.439	10.500	11.13	11.46
INDIA	2.987	3.265	3.627	3.990	4.31	4.44
PAKISTAN	2.100	2.331	2.517	2.593	2.67	2.70
EU, C. EUR. & TURKEY	2.294	2.329	2.133	2.161	2.14	1.96
EAST ASIA & AUSTRALIA	1.879	1.988	1.885	1.876	1.83	1.78
USA	1.364	1.457	1.278	1.077	1.00	0.93
BRAZIL	0.875	0.915	0.895	0.900	0.90	0.87
CIS	0.673	0.613	0.633	0.682	0.71	0.73
OTHERS	2.342	2.483	2.508	2.541	2.54	2.63
EXPORTS						
WORLD TOTAL	7.238	7.792	9.861	8.201	8.91	8.54
USA	2.995	3.143	3.928	2.830	3.65	3.07
CFA ZONE	1.059	0.935	1.011	0.933	0.66	0.70
UZBEKISTAN	0.659	0.850	1.020	0.980	0.86	0.84
INDIA	0.119	0.136	0.751	0.960	1.05	1.26
AUSTRALIA	0.470	0.435	0.628	0.487	0.27	0.13
BRAZIL	0.210	0.339	0.429	0.283	0.69	0.76
CHINA (MAINLAND)	0.038	0.007	0.008	0.019	0.02	0.02
IMPORTS						
WORLD TOTAL	7.412	7.474	9.715	8.225	8.91	8.54
CHINA (MAINLAND)	1.929	1.394	4.200	2.306	3.47	3.40
EAST ASIA & AUSTRALIA	1.700	2.072	1.776	1.908	1.74	1.71
EU, C. EUR. & TURKEY	1.267	1.468	1.307	1.378	1.32	1.22
CIS	0.313	0.347	0.333	0.322	0.31	0.30
SOUTH AMERICA	0.303	0.216	0.253	0.309	0.26	0.25
TRADE IMBALANCE 1/	0.174	-0.318	-0.146	0.024	0.00	0.00
STOCKS ADJUSTMENT 2/	-0.098	0.109	0.147	-0.040	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	8.964	12.138	12.746	13.161	12.15	11.75
CHINA (MAINLAND)	2.465	2.639	4.004	3.757	3.91	3.96
USA	0.751	1.196	1.317	2.063	1.37	1.10
ENDING STOCKS/USE (%)						
WORLD-LESS-CHINA (M) 3/	45	62	56	59	51	49
CHINA (MAINLAND) 4/	34	32	42	36	35	35
COTLOOK A INDEX 5/	68.30	52.20	56.15	59.15	68*	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China (Mainland) ending stocks divided by world-less-China (Mainland)'s mill use, multiplied by 100.

4/ China (Mainland)'s ending stocks divided by China (Mainland)'s mill use, multiplied by 100.

5/ U.S. cents per pound.

* The price projection for 2007/08 is based on the ending stocks/mill use ratio in the World-less-China (M) in 05/06 and 06/07 (estimate) and 2007/08 (projection), and on the ending stocks/mill use ratio in China (M) in 05/06 and 06/07 (estimate).

95% confidence interval based on current estimates of supply, use and stocks: 61 to 76 cents per pound.



INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington, DC 20006 USA

Telephone (202) 463-6660 • Fax (202) 463-6950 • email Secretariat@icac.org

Statement of the 66th Plenary Meeting

“Strategies for National Competitiveness”

Committee on Cotton Production Research

The International Cotton Advisory Committee met in Izmir, Turkey during October 22-26, 2007 for its 66th Plenary Meeting since 1939. 521 people participated in the meeting, including representatives from 44 governments and 9 international organizations.

1. The Committee on Cotton Production Research organized a Technical Seminar on **The Vision for Technology in 2025**. The participating scientists believe that cotton production practices will change drastically in the next two decades. Climate change through global warming may increase photosynthesis, leading to increased vegetative growth in cotton but not necessarily resulting in greater production of lint. Global warming may increase salt concentrations in soils, thus changing nutrient availability. Insects may spread to more areas, diseases may become more common and crop management will become more complicated. The cost of production may continue to rise, and the development of new technologies may be crucial. Environmental regulations may become stricter, possibly resulting in higher costs to produce cotton. Agricultural policies, domestic and international, may tend to be complicated and far-reaching. Cotton growers may have to make many strategic business decisions because of climate change.

2. The participating scientists believe that many challenges will be met through better decision support systems, the development of varieties with higher host plant tolerance and the development of short duration varieties to save labor and inputs. New varieties may not always be higher yielding. Stronger regulation of breeding programs could delay the development and commercial release of new varieties. Scientists believe that biotechnology applications in cotton are providing solutions to most challenges, and new biotech varieties providing specific solutions to new problems will be more widely utilized. Commercial cotton hybrids could provide an alternative for better productivity and quick release of varieties, but the constraints to production of hybrid planting seed at economical costs have to be overcome.

3. The current trend in the development of new technologies requires interconnectedness among disciplines and collaboration among public and private institutions. Within the next 18 years, most cotton will be tested on rapid testing instruments, and more fiber parameters will be tested. The repeatability and reliability of the data will improve, and fiber quality testing will move to earlier stages for on-line testing at gins.

4. The Committee noted that the World Cotton Research Conference-4 was held in Lubbock, Texas, USA from September 10-14, 2007. 590 researchers, more than half from outside the USA, attended the Conference. The world cotton research conferences are scientifically significant, and the WCRC-4 was a great success. The World Cotton Research Conference-5 will be held in New Delhi, India in September/October 2011.

5. The Committee on Cotton Production Research decided to hold the 2008 Technical Seminar

on the topic “Improving sustainability of cotton production in Africa”. Papers on integrated pest management and the use of seed after ginning, will be included in the Seminar.

6. The Committee encouraged public and private sector research institutes in the Northern and Southern Hemispheres to exchange testing materials, so that breeders can test two crops a year shortening the process of variety development significantly.

MEMBER GOVERNMENTS

Argentina, Australia, Belgium, Benin, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Kazakhstan, Kenya, Republic of Korea, Mali, Netherlands, Nigeria, Pakistan, Paraguay, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United Kingdom, United States of America, Uzbekistan, Zambia, Zimbabwe.