



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES INAUGURAL SESSION

9:00 hr. Monday October 22, 2007
Ms. Tuncer Kayalar in the Chair

The CHAIR called the meeting to order. She welcomed all participants and introduced the Honorable Kürşad Tüzmen, Minister of State of Foreign Trade of the Republic of Turkey.

Minister Kürşad Tüzmen welcomed all participants to the 66th Plenary Meeting of the International Cotton Advisory Committee. He noted that the textile and clothing sector plays an important role in the economies of developed and developing countries. He said that trade in textile and clothing had been boosted by the elimination of quotas in 2005 and accounted for about 5% of world total merchandize exports, with an amount of almost \$500 bn.

He described the place of Turkey among the major players in the world cotton sector: 2nd largest importer, 4th largest consumer and 7th largest producer. He said that Turkey's textile exports rely heavily on the cotton sector. He noted that world cotton production has grown sharply in 2004/2005 but the increase has been matched by an increasing demand. He recalled the cotton initiative of the C-4 African countries, which was a strategic step towards fair trade. Having been personally involved in the WTO negotiations for the past 10 years, he said progress has been made, notably in Hong Kong, towards the elimination of export subsidies.

He described the impressive growth of Turkish imports and exports and said that Turkey ranks 4th for clothing exports and 9th for textile exports. He explained that Turkey is moving ahead towards original branded exports. He said that cotton production in Turkey had a vast potential to increase to meet local demand and acknowledged the creation of the National Cotton Council with active participation of all segments of the industry.

The Minister gave his personal views on the ways to meet the challenge of sustaining competition through interaction between competitive advantages, factor evolution, market approach, demand enhancement and supporting industries.

He urged the delegates to take the opportunity of their presence in Izmir to enjoy the cultural and social life of the city and asked their support for the candidacy of Izmir for the organization of the international event "Export 2015".

The CHAIR thanked Minister Kürşad Tüzmen for his welcoming remarks.

The CHAIR introduced Mr. Aziz Kocaoglu, Mayor of Izmir Metropolitan Municipality.

The mayor welcomed all participants to the Plenary Meeting. He said that cotton had a very special place for Turks who call it the "white gold", especially in the Aegean region. He praised the quality of cotton grown in Izmir. However, he noted that production had dropped due to a combination of internal and external factors. As a result, Turkey has become the second largest importer of cotton after China. He said he believes that cotton production could be revived with adequate funding and hoped that Izmir will be one of the major cotton centers of the world. He noted that global warming and drought were a threat for the world cotton industry and urged participants to address the issue and solve the problem. He expressed the hope that the meeting will create new synergies for the development of cooperation between member countries. He thanked the Undersecretary of Foreign Trade and the Organizing Committee for making this meeting possible. He requested support of all participants for the candidacy of Izmir for "Export 2015".

The CHAIR thanked the Mayor for his welcoming remarks.

The CHAIR introduced Mr. Cahit Kinac, Governor of Izmir. The Governor said he was proud to welcome all guests to the city and the region of Izmir. He noted the important role of cotton for meeting the basic human needs, providing employment and creating value addition. He stressed the importance of cotton in the Turkish economy and the place of Turkey's cotton sector in the world cotton economy. He explained that cotton plays an important role in the Aegean area, which is the second largest producing area in Turkey after Southeast Anatolia. The meeting and its theme "Strategies for National Competitiveness" will give cotton producers a good opportunity to increase their competitiveness by learning from experiences in other countries. He said that cotton production in

Turkey declined by 20% in 2007 due to global warming and the resulting drought. He expressed the wish that the meeting will help find solutions to mitigate the negative effects of global warming on cotton production. The governor concluded his remarks by wishing all participants a very successful meeting.

The CHAIR thanked the governor for his welcoming remarks.

The CHAIR delivered her welcoming remarks. She welcomed all participants to Turkey. She thanked the ICAC for organizing its Plenary Meeting for the 3rd time in Turkey, and she thanked the sponsors for their support to the organization of this event. She said that discussions on the theme “Strategies for National Competitiveness” will give participants an opportunity to share their various experiences in their countries on all important issues and problems facing the cotton industry. She indicated that the 66th meeting will give an opportunity to assess the progress of the WTO multilateral trade negotiations on cotton. She expressed her confidence that the Plenary Meeting will pave the way for a better understanding of the current situation and future prospects of the sector while fostering cooperation among member countries. She concluded by thanking the guests for their participation and wished them a memorable stay in Turkey.

The CHAIR gave the floor to the delegate of Argentina who requested earphones for participants who were unable to listen to the interpreters. The CHAIR apologized for the inconvenience and said that the problem would be solved.

The CHAIR introduced Ms. Elena Cores of Spain, Chair of the Standing Committee, to present her report. Ms. Cores expressed the deep appreciation of all the members of the Standing Committee to the Government of Turkey for hosting a third Plenary Meeting in 50 years. She said that the interest and support of Turkey in the work of the ICAC is really appreciated. She reported on the activities of the Standing Committee since the 65th Plenary Meeting which was held in Goias, Brazil, in 2006. She said that the Standing Committee has had a productive year. She said that the Standing Committee formed an Expert Panel on Social, Environmental, and Economic Performance of the world cotton industry (SEEP) to provide the ICAC with information on positive and negative aspects of global cotton production. Currently the Expert Panel is formed by 13 members from 10 countries and a representative of FAO. Ms. Cores thanked all members of SEEP for their work. The Standing Committee worked with the WTO to conduct a workshop on the trade and development aspects of the Doha Round and continued to evaluate the impact of government measures on cotton prices and trade. She reported that the Standing Committee worked closely with the Secretariat on membership in the ICAC. Ms. Cores thanked Mr. Jacob Pasgo, Chair of the Task Force on Membership for his work. Currently the ICAC has 44 member governments. The Standing Committee approved the Agenda of the 66th Plenary Meeting. Ms. Cores recalled that the United Nations declared 2009 to be the International Year of Natural Fibers (IYNF). She said that the ICAC supports this declaration and that the agenda of this Plenary Meeting has been extended to include a meeting of the IYNF Steering Committee.

She reported that the Standing Committee oversaw, controlled and approved the annual budget of the ICAC. She thanked the members of the Sub-committee on Budget and the governments for their efforts in remaining current in the payment of assessments. She endorsed the nominations of Ms. Cecilia Marincioni of Argentina as Chair, Mr. Jacob Pasgo of Burkina Faso as First Vice-Chair and Mr. Ashaf El-Rabei as Second Vice-Chair.

She expressed her gratitude to the Executive Director and the members of the Secretariat for their hard work, their professionalism and their support and welcomed the new economist, Mr. Alejandro Plastina.

Ms. Cores concluded her remarks in wishing all participants a very interesting and productive Plenary Meeting.

The CHAIR thanked Ms. Cores for her report.

The CHAIR introduced Mr. John Mitchell, Cargill Cotton, USA, Chair of the Private Sector Advisory Panel (PSAP). Mr. Mitchell reported that 16 people from 8 countries attended the PSAP meeting on October 21st, 2007. The meeting discussed the International Forum for Cotton Promotion (IFCP). He said that the PSAP recognizes the importance of the work of the PSAP and encourages continued support by the ICAC. Private sector interests are encouraged to consider the benefit of developing promotion programs and learn about the resources available from the IFCP. 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 progress of the ICAC Strategic Plan. The PSAP noted significant progress in the Specific strategies for the six goals of the Plan. The PSAP concluded that the goals of the Strategic Plan

remain relevant and current strategies are appropriate.

By consensus Dr. Sebahattin Gazanfer of Turkey was selected as Vice-Chair of the PSAP for one year and he will then assume the Chair. Mr. Mitchell said that the PSAP congratulated the Secretariat and the Executive Director on their work. The ICAC is a globally respected advocate of the cotton industry and a dependable source for unbiased information. The PSAP commended member governments for promoting communication and cooperation throughout the world of cotton and is grateful for their consideration of recommendations from the private sector.

The CHAIR thanked Mr. Mitchell for his report.

The CHAIR introduced Dr. Terry Townsend to present his report as executive director.

Dr. Townsend said it was an honor to address the 66th Plenary Meeting. He said that the past year has been a year of anticipation, anxiety and also of accomplishment for the world cotton industry and the Committee. The world is anticipating a constructive result in the discussions in the WTO in the near future. A successful outcome to the Doha Round is a strategic goal of the ICAC and the agenda of the 66th Plenary Meeting accords special status to the issue of government measures. The ICAC has a role in the WTO process and the work to analyze the impact of government measures on the cotton industry is among the most important components of the Secretariat work plan.

He commented that despite concrete steps, in particular the elimination of export subsidies by developed countries in 2006, it is broadly recognized that progress in the Doha Round so far has been disappointing. Member governments of the ICAC should encourage WTO negotiators to make progress on all three pillars of the talks on agriculture so that improvements can be achieved in the cotton sector.

He said that despite strong growth in production and consumption, the competitive pressures felt by the cotton sector as a whole are substantial, particularly in the CFA zone of Africa. The ICAC is serving a concrete function to facilitate cooperation in achieving competitiveness goals. The Executive Director reported that significant accomplishments were recorded this past year. The work of the ICAC Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC) is contributing directly to the achievement of the WTO goal of harmonization of international standards. He listed the conferences organized by the ICAC in 2007 in cooperation with other organizations: the 4th World Cotton Research Conference (WCRC-4) in Lubbock Texas, a conference on the Trade and Development Aspects of Cotton in the Doha Round in Accra, Ghana, in cooperation with the African Cotton Association, a conference on Opportunities for Increased Trade in Cotton and Textiles in Bangladesh, a conference on the World Cotton and Textile Market: Outlook for 2010 in Tashkent, Uzbekistan.

The executive director said that the Committee established an Expert Panel on Social, Environmental, and Economic Performance of the world cotton industry (SEEP).

He praised Mr. Carlos Valderrama's valuable contributions during 19 years as economist and head economist for the Secretariat and welcomed Mr. Alejandro Plastina as new economist.

He said that the Secretariat has developed a new statistical model of international cotton prices. He noted that Chinese official statistics need to be revised.

The Executive Director congratulated the International Forum for Cotton Promotion (IFCP) for its work contributing to demand enhancement.

He expressed his satisfaction in the fact that membership of the ICAC is up to 44 countries. He noted that the ICAC has received official invitations from several countries to host future Plenary Meetings. He said it has been a pleasure to work with representatives of the Government of Turkey and the Organizing Committee to prepare for the 66th Plenary Meeting. He acknowledged the good work of all the members of the Secretariat and of the interpreters. He thanked the members of the PSAP and the representative of the ICAC to the United Nations Commission on International Trade Law (UNCITRAL), Mr. Neil Gillen, for their valuable contribution to the health of the cotton industry. He acknowledged the work of the Standing Committee and its officers and of the Subcommittee on Budget.

He concluded in saying that it was an honor to serve as executive director.

The CHAIR thanked Dr. Townsend for his report.

The CHAIR introduced Mr. Ziya Altunyaldiz, Chair of the Organizing Committee to give an overview of the Agenda of the 66th Plenary Meeting. Mr. Altunyaldiz expressed his gratitude to all those who made this Plenary Meeting possible. He thanked the executive director of the ICAC and his team, the Chairman of the Textile Exporters Union and all the members of the Organizing Committee, the authorities of Izmir and the sponsors.

He said that all participants will benefit from sharing their experience and knowledge during this Plenary Meeting. He highlighted the major topics on the Agenda as well as the social and cultural events. He encouraged

participants to attend all sessions and to take the opportunity of their stay to explore the city and region of Izmir. He concluded in wishing all a very successful meeting.

The CHAIR thanked the Chair of the Organizing Committee for the overview.

The CHAIR gave the floor to the delegate of Argentina who requested clarification about the wording of a paragraph in the report of the Executive Director stating that: "The international community must not allow inefficiencies in Africa to serve as an excuse for distortions elsewhere". The delegate observed that there are inefficiencies in other countries, including those that subsidize cotton production. He asked that such a clarification should appear in the statement of the Plenary Meeting.

The CHAIR thanked the delegate of Argentina for his comment and assured him that the topic would be addressed during the 1st Plenary Session.

The CHAIR noted that the proposed agenda for the Plenary Meeting had been approved by the Standing Committee. She asked if there were any amendments to the agenda and, seeing none, declared that the proposed agenda was approved.

The CHAIR invited the United Kingdom, host of the 64th Plenary Meeting, to deliver welcoming remarks on behalf of all delegates. Mr. Ray Butler of UK congratulated the Government of Turkey for inviting the ICAC to hold its Plenary Meeting for the third time. He thanked the organizing committee for its meticulous attention in looking after the welfare of the participants. He noted that Turkey is well placed to exploit its easy access to supplies of cotton and its proximity to major consuming markets, from its focus on high value-added products and its ability to quickly respond to market changes. He said that Turkey will allow participants to see all aspects of the industry and, at the same time, learn about the history of civilization whilst enjoying a friendly welcome. On behalf of all delegates, he expressed deepest sincere thanks to the Government and people of Turkey, to the organizers and the sponsors of the meeting for their hospitality and wished the meeting continued success.

The CHAIR thanked the delegate of the UK for his kind remarks. Seeing no additional business, the Inaugural Session of the 66th Plenary Meeting was adjourned at 10:45 AM.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES FIRST PLENARY SESSION

15:00 hr. Tuesday October 23, 2007
Mr. Hasan Yalcin in the Chair

The Chair highlighted the importance of multilateral trade negotiations and developments on cotton in the WTO in general and specifically for Turkey, and presented the panel of speakers.

The Chair introduced Mr. Andrei Guitchounts of the ICAC Secretariat to present a report on government measures. Mr. Guitchounts reported that direct government assistance provided by six countries through production programs decreased from \$4.4 billion in 2005/06 to \$3.1 billion in 2006/07 as a consequence of increased market prices in some countries and policy changes in the EU, while direct assistance provided through export programs declined to zero. He said that direct U.S. support to upland cotton production declined from \$3.2 billion in 2005/06 to \$2.2 billion in 2006/07, while U.S. subsidies to Pima declined from \$23 million in 2005/06 close to zero in 2006/07. Mr. Guitchounts noted that average direct assistance in the USA per pound of cotton declined from 35 cents in 2004/05, to 28 cents in 2005/06 and to 22 cents in 2006/07. He estimated that a switch from A Index North Europe to A Index Far East in the calculation of an Adjusted World Price to determine direct assistance to U.S. producers could result in no or little change in actual payments and will depend on the shipping cost differential between the two locations. Mr. Guitchounts reported that changes in the EU Common Agricultural policies implemented in 2006/07 decoupled 65% of payments to cotton producers and resulted in a decline in direct (coupled) payments from an estimated \$900 million in 2005/06 to \$300 million in 2006/07. He said that estimates of the border protection support to cotton producers in China (Mainland) resulting from a quota and a sliding scale import duties system decreased from \$1.9 billion or 14 cents per pound in 2005/06 to \$1.4 billion or 9 cents per pound in 2006/07. Mr. Guitchounts said that a program called the Equalizer Price Paid to Producers (PEPRO) was implemented by Brazil in 2006 and 2007. He noted that the premium paid under the program to producers represents a difference between the guaranteed minimum price and the price the buyer is willing to pay, determined at auctions organized by the government and destined to compensate producers for the weakening U.S. dollar in relation to the Reais. He estimated that \$105 million or 5 cents per pound were paid to producers in 2005/06 and \$309 million or 10 cents per pound in 2006/07. Mr. Guitchounts said that combined subsidies provided by Turkey, Mexico and Columbia in 2006/07 were accounting for 9% of world direct assistance to production.

The Chair introduced Dr. Alejandro Plastina of the ICAC Secretariat to present a report on the Long Run Effects of Eliminating Government Support to Cotton Production. Dr. Plastina reported that there is a broad recognition of distortions to market signals caused by government measures in agriculture and in order to stimulate the quantitative long-run effects of removing government measures coupled to cotton production, on the Cotlook A Index, cotton production, mill use and trade, a traditional log linear equilibrium displacement model was used. He noted that for the purposes of this analysis the world was divided into 6 regions: The United States, the European Union, China (Mainland), Turkey, Latin America and the rest of the world (ROW). Dr. Plastina observed that government support amounts to 50% of per unit revenue in the EU; 26% in the U.S.; 17% in China (Mainland); 15% in Turkey; 10% in Latin America, and 0% in the ROW. He reported that based on research, the most responsive region in cotton production is Latin America, where a 10% increase in effective per unit revenue would result in a 9.5% increase in production in the long run, while similar responsiveness is expected in Turkey and the U.S., but lower responsiveness is expected in the EU, China (Mainland) and the ROW. Mr. Plastina indicated that in terms of mill use the most responsive region is also Latin America, where a 10% increase in effective per unit revenue received by cotton farmers would result in a 3.2% decline in mill use, China (Mainland) is the second most responsive region, followed by Turkey, the U.S., the ROW and the EU. He noted that the share of each region in world production and mill use was also used to simulate the long run results of removing the government support. Mr. Plastina reported that the elimination of the government support would result in a long run increase in the Cotlook A Index of 10%, or 6 cents per pound, world cotton production and mill use would decrease by 2.4%,

production would fall in all regions, except the ROW, where production would actually increase by 3.1%. He said that the greatest declines in production would take place in the EU, the U.S and Turkey, while production in China (Mainland) and Latin America would fall by 1%. Mr. Plastina reported that mill use would fall across all regions, although Latin America would be the most affected region with a 3.3% decline, as a result exports from Latin America and the ROW would increase by 30%, exports from the U.S. would drop by 18%, while imports by the EU would increase by 163%, imports by China (Mainland) would fall by 7.2% and imports by Turkey would increase by 1.2%.

The Chair introduced Mr. Chiedu Osakwe of the WTO to present a report on Cotton and Multilateral Trade Negotiations: Recent Developments. Mr. Osakwe reported that 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. He said that cotton remains one of the core areas to which WTO Members attach importance in the Doha Development Agenda (DDA) and 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 with useful outcomes; in July, draft modalities in Agriculture were circulated, reflecting essential elements of the trade policy aspects of cotton. He informed that the negotiations on the DDA fully resumed in February this year, after the 2006 suspension, substantive progress is being made, agriculture remains one of the "gateway" issues and 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 and Services, while the immediate objective of WTO members is to achieve a breakthrough on modalities by the end of this year. Mr. Osakwe said that 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, while the development dimension of the negotiations is of priority importance for all members, the Doha Round is focused on development and the effective introduction of a development dimension to the rules-based multilateral trading system. He indicated that cotton is being addressed on the two tracks of trade policy and development assistance, and WTO members agreed to address the trade policy aspects, ambitiously, expeditiously and specifically within the agriculture negotiations. He noted that 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, while 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 programs. Mr. Osakwe reported that progress has been made on both aspects and the 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, while the 9th Round is envisaged for 22 November. He said that the commitments of the development community are reflected in the "Evolving Table on Cotton Development Assistance" divided into three principal parts: Part I contains commitments for cotton-specific development assistance, totaling 97 and including support for national cotton sector strategies; cotton sector reform; 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 programs totaling 62, trade infrastructure for road transportation; irrigation systems; warehousing; construction and rehabilitation of testing laboratories; support for food security, rural welfare and livelihood programs; market-based instruments for mitigating commodity price and weather risk, etc.; 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 expenditures) to the cotton sector on the basis of national development priorities. Mr. Osakwe noted that implementation of the mandate on cotton development assistance remains work in progress and the role and contributions by ICAC have been positively acknowledged by the WTO. He said that ICAC is encouraged to intensify its contributions. Mr. Osakwe informed that the trade aspects of the Cotton Initiative are part of the Single Undertaking in the Doha Round, and progress has been made, although conditional on the conclusion of the Doha Round. He reminded that 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 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. Mr. Osakwe indicated that 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" and a 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. He said that first, a draft Modalities for Agriculture 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) and regarding cotton, a formula was proposed for the modalities for the reduction of domestic support, the U.S. has rejected the formula and indicated that it could present a counter proposal in the context of how cotton would be treated in the basic framework of overall reductions of domestic support when there is better knowledge of the size of the final agriculture package. Mr. Osakwe reported that 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. He noted that members interpreted this as a signal of flexibility on the part of the U.S., even though specific details are yet to be provided, and U.S. acceptance was conditional on commensurate commitments in market access in agriculture and NAMA. Mr. Osakwe said that 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, and 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. He noted that the proposal also states that implementation shall be in accordance with the mandate for coherence between the trade policy and the development assistance aspects. Mr. Osakwe concluded that the treatment of the cotton dossier is evolving principally along the two tracks of the trade policy and development assistance, on both tracks, progress has been registered, but the resolution of the trade policy issues is linked to the ambitious conclusion of the DDA negotiations, that is why WTO Members stress the necessity for a conclusion of the DDA negotiations as soon as possible. He stated that The WTO Secretariat greatly values information it receives from ICAC on prices, market trends and country-specific situations and welcomes the ICAC's contribution to WTO implementation of the mandate on cotton development assistance, and 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 operation of instrument testing systems. Mr. Osakwe expressed a hope that this 66th Plenary Meeting would add its voice and give its support to an ambitious and early conclusion of the DDA negotiations.

The Chair introduced Ms. Aylin Bebekoglu from the Undersecretariat for Foreign Trade of Turkey to present a report on the WTO Negotiations on Cotton: The Turkish Perspective. Ms. Bebekoglu described the history of cotton in the WTO negotiations, starting with March 2000, when cotton was part of the Agricultural negotiations, Cotton Initiative launched in April 2003 and the Doha Development Round. She noted that at the Cancun Ministerial Conference in September 2003 a "Sectorial Initiative in Favor of Cotton" was adopted with the recognition of the importance of cotton and with linkage to the entirety of the sector, but no conclusion was reached. Ms. Bebekoglu indicated that in 2004 a Sub-Committee on Cotton was formed and the cotton initiative was focused on two aspects: development and trade. She referred to the Hong Kong Ministerial Declaration (December 2005), where members agreed on specific provisions on cotton, including elimination of all forms of export subsidies for cotton in 2006 by developed countries; duty and quota free access for cotton exports from least-developed countries; reduction of trade distorting domestic subsidies quickly and ambitiously; and emphasis on development aspects of cotton. Ms. Bebekoglu pointed to the Chairman's Draft Text of July 2007, which reiterated the Hong Kong decisions. She described the significance of cotton for Turkey, which ranks the seventh among the producing countries with 900,000 tons of production, where cotton is a major source of incomes for 100,000 people employed in the sector and accounts for 3.7% of agricultural GDP. Ms. Bebekoglu pointed to major challenges to cotton production, including changes in prices, domestic support measures, high production costs, weather impact and the long-term impact of the elimination of support measures. She said that Turkey is a major consuming country dependent on imports to cover increasing mill use, and cotton is an input for the textile and clothing industries in Turkey in a fully liberalized market, with no quantitative restrictions on exports and imports, duty free access and no export subsidies. Ms. Bebekoglu indicated that textile and clothing industries face adjustment problems in the post quota environment with increasing production costs. She referred to the WTO negotiations and said that in the harmonization proposal the general formula approach falls short of addressing the specific needs of the textile and clothing industries and a "tailored approach" is needed to achieve liberalization and flexibility. Ms. Bebekoglu reported that the harmonization proposal is still on the agenda related to sectorial initiatives, and Turkey contributes to the discussions on solutions within the context of preference erosion and stands for longer implementation periods for a number of textile and clothing products. She concluded that the cotton initiative is an important element of the Doha Round and Turkey's position in the negotiations is not an easy task as there is a need for a balance between agriculture versus textile and clothing industries. The CHAIR thanked Ms. Bebekoglu and asked if there were questions.

The delegate of ARGENTINA asked Dr. Plastina if his calculation could be done for individual countries rather than regions.

Dr. Plastina answered that it is possible to make calculations based on an individual country, and that in written report delegates could find more information on the effects of the elimination of government support in individual regions.

The delegate of ARGENTINA asked the Secretariat to clarify why government measures by China (Mainland) are separated into a different category called border protection and asked if tariffs and quotas are the measures used by the Chinese government. He asked if the government support measures as described in the secretariat report could be called subsidies. He also asked Mr. Osakwe to elaborate on the decision by the WTO panel on the dispute in the case pursued by Brazil against U. S. domestic support measures.

Mr. Osakwe replied that the dispute between Brazil and the USA is under way, the process continues and he cannot comment on it until the resolution is officially announced.

Mr. Guitchounts replied that border protection measures by China (Mainland) are presented in a category separate from direct government support to the cotton production, because these measures do not involve direct government payments to producers, and yes, these measures are based on import quotas and tariffs. He confirmed that measures of direct government support to cotton production are in fact subsidies.

The delegate of ARGENTINA proposed to change the word "support" in the Secretariat report with "subsidies".

The delegate of the USA noted that China (Mainland) was tariffs and quotas, not just direct payments.

The delegate of BRAZIL noted that the dispute between the U.S. and Brazil has been going on for many years and the decision of the panel was that some of the U.S. cotton subsidies were inconsistent with the WTO rules. He said that the U.S. appealed the decision, but the appellant body ruled again in favor of Brazil. Then subsequently Brazil asked for a Compliance Review panel, which recently reconfirmed the panel and the appellant panel's findings. He asked Mr. Osakwe to provide a timetable for the final resolution of the process. He also asked Mr. Guitchounts to explain the so-called subsidy in Brazil, since the payment is linked to the exchange rate and the weak dollar. He asked if it has been taken into account that if the dollar strengthens the "subsidy" would not be paid?

Mr. Osakwe answered that the U.S. is still thinking about an appeal and he could not discuss the specifics of the case, while it is still not resolved.

Mr. Guitchounts answered that only the Brazilian government data on actual payments was used for the report and it is possible that if the dollar strengthens enough the payments could decline to zero and the secretariat will report on these developments.

The delegate of POLAND commented that one of the subjects discussed in the DDA of the WTO is the liberalization of trade of goods covered by NAMA. He stated that Poland is in favor of a horizontal liberalization based on a tariff reduction through a particular formula but does not favor a sectorial liberalization as regards the textile and clothing industry and strongly insists on further negotiations, especially in the crucial matters, and on the abolishment of non-tariff barriers to trade. He said that regarding the non-tariff barriers to trade, Poland strongly supports a common approach towards unifying the origin marking requirements for textiles, apparel and shoes and supports the proposal to introduce an obligation to indicate the fiber content and the importer of the product, as well as the country of origin, but Poland opposes any kind of additional certificates as barriers to trade. He stated that Poland remains committed to a specific, ambitious and expeditious treatment of cotton in the DDA negotiations as well as supports the demands of the African countries for a more equitable trading system.

The delegate of CHAD referred to the secretariat's report on the effects of the elimination of the subsidies, indicating possible increase in production in Africa in case the subsidies are eliminated, as according to the ICAC reports, African cotton is competitive. He stressed the importance of cotton for the African economy and the livelihood of millions of people and that is why the G-4 initiative was introduced. He called on the meeting to adopt

a declaration supporting the WTO negotiations on cotton, similarly to the last year meeting. He asked Mr. Osakwe to comment on the atmosphere of the negotiations on cotton in the WTO.

Mr. Osakwe replied that the atmosphere at the cotton negotiations is good and the process is evolving positively, on both the development and dispute resolution aspects.

The delegate of COLOMBIA commented that subsidies provided to cotton growers in Colombia are fully justified because of a strong revaluation of the domestic currency in the relation to the U.S. dollar. She said that complete explanation and justification of the subsidies are included in the distributed country statement, and called on the secretariat to use the information.

The delegate of the USA commented on the statement by a delegate of Chad, saying that the USA could support a declaration made at the 65th Plenary meeting of the ICAC, but could not support the G-4 initiative.

The delegate of ARGENTINA asked to clarify if his proposal to replace a word “support” with “subsidies” in the secretariat report on government measures is accepted.

The Secretary General clarified that the secretariat used the word “support” at the instruction of the Advisory Committee issued in 1998. As he understood the delegate of the USA objected to the use of the term subsidy in regard to tariffs and quotas used by China (Mainland) only, and if there were no other objections, the term subsidies could be used in future reports as a synonym of support.

The Chair made closing remarks, saying that subsidies/government assistance measures are of great importance to a majority, if not all of the ICAC members. He said studies carried out and reports prepared by the secretariat are of strategic importance and should be motivated, continued and supported. He noted that the negotiations at the WTO are of a strategic importance for cotton production and trade, and the cooperation between the WTO and the ICAC should continue and improve. He suggested that the meeting could adopt a declaration, like it did last year, calling for the successful outcome of the cotton negotiations in the WTO.

The Chair adjourned the meeting at 5:00 PM



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

SECOND PLENARY SESSION (A)

9:00 hr. Wednesday October 24, 2007
Mr. Ziya Altunyaldiz the Chair

After reminding delegates that all oral statements by member and non member countries must be limited to five minutes and oral statements by international organizations to seven minutes, and that full statements will be printed in the proceedings, the Secretary General introduced the Chairman of the Second Plenary Session.

The CHAIR welcomed all delegates and called upon the representatives of the various international organizations to make their presentations.

The CHAIR gave the floor to the Executive Director of the IFCP (International Forum for Cotton Promotion). He said that the IFCP made significant strides during 2006 and 2007 to encourage generic cotton demand enhancement activities by providing examples of ways of promoting cotton on a national and international basis, in ways that can be replicated around the world. In addition to its normal activities, at the request of the Private Sector Advisory Panel (PSAP), the IFCP began a plan to inspire subnational and private sector sponsored programs, and is investigating inaccurate negative information communicated by advocates of organic cotton and related industries. The delegate presented the activities of the IFCP during this Plenary Meeting week. He thanked the IFCP officers and members for their participation and for allowing him the privilege to serve as executive director. The IFCP report is a statement of the meeting.

The CHAIR recognized the delegate of CICC (Committee for Co-Operation between Cotton Associations) who paid tribute to the Chairman of CICC from 2005 to 2007, Hilton Lobb, who sadly died at the beginning of October. He summarized the role and the activities of the committee. CICC was established in 1975 to promote the concept of sanctity of contracts support good trade practices and harmonizing international trade rules established by the member cotton associations. He reminded that the objectives of CICC are to facilitate international cooperation between cotton associations, examine matters of common interest to member-associations, and work together for the purpose of preserving cotton trading ethics. CICC encourages standardization of international trading rules and also cotton testing and classification, and publishes a list of unfulfilled arbitration awards. CICC acts as a forum for its member organizations in promoting and distributing information regarding trading rules, classification, standardization and testing. The delegate of CICC thanked the ICAC and the host country for their invitation to speak and said he looked forward to the success and progress that will emerge from the deliberations at the 66th ICAC Plenary Meeting. CICC's report is a statement of the meeting.

The CHAIR recognized the representative of CIRAD (Centre de coopération internationale pour le développement) who said that his organization is a French agricultural research center working for development in developing countries. The delegate elaborated on the issues and challenges of Strategies for National Competitiveness, particularly in cotton producing countries in West and Central Africa. He explained that cotton should benefit from a more competitive position against synthetic fibers. However, the use of inputs is negatively affected by the exchange rate and the resulting decline in yields is a grave source of concern. The delegate described the reforms and projects underway to improve the competitiveness of the sector and the quality of cotton. He noted that the increasing involvement of producer associations in the management of cotton sectors will help restore the competitiveness of African cotton. CIRAD's report is a statement of the meeting.

The CHAIR recognized the representative of the FAO (Food and Agricultural Organization) of the United Nations who reported about FAO's work in relation to cotton. FAO has long been active in the cotton sector in African countries, building capacity of national stakeholders and providing services to farmers. FAO has recently signed a project with the European Commission to implement an agricultural commodities project in ACP countries. A core

component of the funding (Euro 15 million) has been earmarked for assistance to cotton producing areas. FAO's planned work includes a component of funding for pilot projects in Burkina Faso, Mali and Benin. FAO was one of the supporters of the WCRC-4 recently held in Lubbock, Texas. FAO is actively preparing for the International Year of Natural Fibers (IYNF) in 2009 and is looking for resources to support IYNF. FAO's report is a statement of the meeting.

The CHAIR recognized the representative of the IDB (Islamic Development Bank), who said that his institution has 57 member countries, out of which 20 are cotton producers. The IDB is already involved directly and indirectly in the cotton sector, particularly in Sub-Saharan Africa. The IDB pre-finances inputs and crops in many countries, notably in West Africa, on the basis of syndication. Recognizing the importance of cotton, the IDB has launched its own cotton initiative to sustain the livelihood of cotton producers. A meeting was held last year in Istanbul in collaboration with UNIDO. The representative concluded that the IDB is present and is helping African cotton producers to survive the hardship of the sector. His report is a statement of the meeting.

The CHAIR gave the floor to the representative of the EU (European Community). The delegate provided an update with respect to the EU cotton policy since the previous ICAC Plenary Meeting. The past year has seen important work on the reform of the EU cotton regime, as triggered by the judgment of the European Court of Justice in September 2006 annulling the 2004 cotton reform. The aim is to implement a new regime in 2008. EU cotton production fell in 2006/07 to its lowest level since the early 1990s, and the EU remained a net importer of cotton. The textile and clothing sector experienced a difficult period with the elimination of textile import quotas in 2005, and the upward trend of the Euro against the US dollar impacted the competitiveness of the sector. The delegate said that cotton has remained prominent on the EU's agricultural, development and trade agenda. An acceleration of the implementation of the EU-Africa Partnership has taken place, while the EU remains committed to a specific, ambitious and expeditious treatment of cotton in the WTO-DDA negotiations. The EU report is a statement of the meeting.

The CHAIR invited statements from member countries.

The CHAIR recognized the delegate of SUDAN who expressed his gratitude to the Government of Turkey for hosting this Plenary Meeting and to all those who prepared it. He reported that liberalization of the cotton sector is aimed at giving full responsibility to farmers in land use, irrigation management and marketing. The role of the Government was limited to regulating irrigation, providing technical assistance, technology transfer and protecting the environment. However, many farmers were afraid of such responsibility and, as a result, land use for crops dropped by about 50%. To reverse such negative effects, a high level committee has set up a support program to expand land use, increase productivity, and reduce production costs, so as to improve the profitability of the sector. The delegate reiterated his gratitude to the Government and the people of Turkey. He thanked the organizing committee and the executive director of ICAC and his staff for all their efforts. His remarks are a statement of the meeting.

The CHAIR recognized the delegate of POLAND. He reported that Poland's industry faces the challenges of globalization and of its EU membership. A new approach to industrial policy is based on a competitiveness analysis. The Polish textile industry has undergone a restructuring process. Although several textile enterprises achieved a strong competitive position, the restructuring process caused the closing of several companies and a reduction in employment. The competitiveness of the sector still needs further improvements. An analysis of the competitiveness of the industry will be finalized in 2007. The Polish textile industry will focus on specialized production and niche products. The delegate said that imports of cotton decreased by 40% in 2005 while imports of cotton products increased by more than 30%. Poland's country report is a statement of the meeting.

The CHAIR recognized the delegate of SOUTH AFRICA, who thanked the hosts and the ICAC Secretariat for the warm welcome and the excellent preparation of the meeting. She applauded the Brazilian Government for the bold stand it took in the WTO negotiations towards a balanced approach to a global trade mechanism. South Africa strongly supports solutions that are differentiated and accompanied by appropriate specific interventions. The delegate reported that the implementation of the Comprehensive National Cotton Strategy and Implementation Plan completed four years ago had been facing difficulties for a number of reasons. However, some achievements have been possible. The delegate thanked the ICAC for considering South Africa for the hosting of the 2010 Plenary Meeting and invited all participants to come. South Africa's country report is a

statement of the meeting.

The CHAIR recognized the delegate of PAKISTAN, who noted the significant role of cotton and cotton textiles in the national economy. Pakistan cotton production reached a record of 2.4 million tons in 2004/05. Cotton R&D is focusing on the improvement of yields, and production has the potential to reach 3.5 million tons by 2015. The Government is in favor of introducing Bt cotton in the country but only after the fulfillment of the obligations of the Bio-safety Rules and Guidelines. Organic cotton production is being encouraged. In order to match the quality requirements of the spinning industry, the cotton pricing and marketing system is being transformed from subjective assessment to objective valuation of seed cotton and lint through the adoption of cotton standardization and grading mechanism. The domestic cotton textile sector has grown significantly, and Pakistan is presently a net importer of cotton. The delegate conveyed the gratitude of Pakistan's delegation to the Government and the people of Turkey and congratulated the ICAC for the excellent organization of the Plenary Meeting.

The CHAIR gave the floor to the delegate of UZBEKISTAN who thanked the Turkish Government for hosting and organizing the Plenary Meeting. He reported on the recent developments in the Uzbek cotton sector. Production in 2007/08 is estimated at 1.1 million tons while consumption is projected to rise to 300,000 tons, leaving an exportable surplus of 800,000 tons. Researchers are developing new high yielding-early maturing varieties. Reform of the agro-industrial sector is underway. The quality of production is improving; classing by instrument is being generalized; storage and export infrastructures are modernized. Cotton lint is traded by national trade companies and at the Uzbek Commodity Exchange. The Third International Uzbek Cotton Fair held in Tashkent in September was successful. These remarks are a statement of the meeting.

The CHAIR recognized the delegate of the UNITED STATES who thanked the Ministry of Foreign Trade for such an excellent job hosting this Plenary Meeting. The delegate said that the U.S. has submitted a comprehensive country statement. He noted that US cotton production is 16% lower in 2007 due to reduced plantings as farmers responded to market signals. He highlighted the fact that the US cotton industry continues a robust demand enhancement program to sustain cotton's share in world textile use and encouraged other industries to expand efforts in this area. The delegate stated that the U.S. is fully engaged in the WTO agricultural negotiations to reduce trade distorting practices in all three pillars – market access, export competition and domestic support. The US is also an active participant in the WTO Cotton Subcommittee discussions and has focused considerable resources on the development of this issue. His remarks and the US country report are a statement of the meeting.

The CHAIR recognized the delegate of AUSTRALIA, who reported that the Australian cotton sector continues to be affected by the worst drought in over one hundred years. In 2006/07 production fell by about 50% from the previous year and a further reduction in plantings is expected in 2007/08. The delegate said that the Australian Government provides no subsidy or price support to cotton growing, ginning or marketing. The industry strives towards competitive and environmentally sustainable agronomic practices. Research equally funded by the industry and the Australian Government is important to these achievements. The cotton industry has set a target to double the efficiency of its water use over the next ten years. The Australian cotton industry and the Government are extremely disappointed by the lack of progress of WTO negotiations. Australia calls on ICAC to promote the implementation of world standards, protocols and trading on instrument based classing systems. The delegate thanked the Turkish Government and the City of Izmir for hosting this Plenary Meeting. His remarks and Australia's country report are a statement of the meeting.

The CHAIR recognized the delegate of CHINA (TAIWAN). The delegate reported that Taiwan's textile industry continues to change and adapt within the context of global competition. Taiwan imported 300,000 tons of cotton in 2006, 45% from the US. Exports of cotton yarn rose 18% in 2006. The textile industry is building cooperative linkages between the cotton spinning industry and the man-made fiber industry. The rising demand for functional textiles and eco-friendly textiles is bringing new opportunities for the textile industry. The delegate announced that the Taiwan Textile Federation will organize another ICAC "International Seminar on Expanding Trade in Cotton Textiles" in Taipei in October 2008. His remarks and China (Taiwan)'s country report are statements of the meeting.

The CHAIR adjourned the first part of the Second Plenary Session at 10:30 hr.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

SECOND PLENARY SESSION (B)

11:00 hr. Wednesday October 24, 2007
Mr. Ziya Altunyaldiz in the Chair

The CHAIR called the meeting to order and gave the floor to the delegate of CÔTE D'IVOIRE. The delegate declared that his presence shows the importance his country attaches to the cotton sector and to the role of the ICAC. He said that the livelihood of about 50% of the population depends directly or indirectly on cotton. Reforms of the cotton sector launched since 1998 led to the privatization of agro-industrial units and to the creation of interprofessional associations. The Government of Côte d'Ivoire has undertaken to define a new strategy for the revival of the cotton sector which was severely affected by the war. Côte d'Ivoire supports all proposals aiming at eliminating of all forms of export and import-substitution subsidies and at establishing fair trade conditions among WTO members. The delegate thanked the Government and the authorities of Turkey for their warm hospitality. He congratulated and thanked the organizing committee, the executive director and the ICAC secretariat for their work. His remarks and Côte d'Ivoire's country report are a statement of the meeting.

The CHAIR recognized the delegate of KENYA who thanked the Government of Turkey and the organizers of the meeting. The delegate said that the cotton textile industry in Kenya has been threatened for its survival since the liberalization of the sector in the early 1990s. The Government recognizes the pivotal role that the industry would play in the revitalization of agriculture and in the realization of the country vision 2030. From 2005, the Kenyan government has been putting in place initiatives to address the various concerns in the entire cotton value chain aimed at revitalizing the industry. The Government recognizes that the industry is governed by global trade initiatives under the WTO and that there is a need to modernize the cotton industry and enhance competitiveness. The country is advocating a level playing field through fair textile trade both in the domestic and in the international arena. The delegate's remarks and Kenya's country report are statements of the meeting.

The CHAIR recognized the delegate of the RUSSIAN FEDERATION. The delegate extended the greetings of the Russian Federation to the Government of Turkey. She reported on the situation and outlook of the textile sector. The domestic textile industry is facing strong competition from imports of cheap textile products, mainly from China (Mainland). The spinning industry relies entirely on imports of cotton, about 300,000 tons. The price of domestically produced yarns is not competitive with the price of imported yarns. The government is implementing a plan to modernize and develop the textile industry with an objective of 400,000 tons of cotton consumption by 2010. Protection measures against smuggling are being taken and duties on imports of textile equipment have been eliminated. The delegate thanked the executive director and the organizers of the meeting. The delegate's remarks and Russia's country report are statements of the meeting.

The CHAIR recognized the delegate of ZAMBIA, who thanked the Chairman of the Standing Committee of the ICAC and the Government of Turkey for having invited his delegation to the 66th Plenary Meeting of the ICAC. He reported that Zambia is now the second largest producer of cotton in southern Africa, and the domestic cotton sector is an important contributor to the national economy, providing direct and indirect employment to an estimated 500,000 people. However, the Zambian cotton sector faces several challenges to the development of cotton production, in particular low yields and the fluctuations of the exchange rate. Zambia appreciates the positive contributions of the ICAC to the development of cotton in the world. Membership has been of great value and has provided tangible benefits for Zambia. The delegate thanked the Organizing Committee for the warm welcome and for the excellent arrangements put in place for the meeting. His remarks and Zambia's country report are statements of the meeting.

The CHAIR recognized the delegate of INDIA, who complimented the Turkish Government and the ICAC for organizing the meeting. The delegate reported that India continues to make rapid strides both in cotton production and consumption. Cotton production rose from 2.3 million tons in 2002/03 to an estimated 5.2 million tons in

2007/08. India is now the second largest producer, consumer and exporter of cotton in the world. The delegate said that the Indian textile industry is an overwhelming presence in the economic life of the country. The average national yield is increasing in thanks to continued transfer of technology from research to the field. The Technology Mission on Cotton is playing a major role, resulting in better and lower-priced seeds, reduced pesticide use, and increased cultivation of Bt cotton. Best Management Practices are implemented to improve productivity and quality, and contract farming is expanding to ensure a better linkage between producers and textile mills. The delegate urged the ICAC to consider how it could become more effective. He concluded by thanking the organizers for giving him the opportunity to present the country statement. His remarks and India's country report are statements of the meeting.

The CHAIR recognized the delegate of ARGENTINA who raised the issue of the slow progress of the WTO negotiations in the Doha Development Round. The delegate said that Argentina supports the proposal of the Chairman of the Committee on Agriculture of the WTO for an ambitious reduction in subsidies on cotton. He noted that all subsidies and trade barriers distort cotton production and trade and affect cotton producers in countries without subsidies, causing them serious prejudice. He reported on several initiatives taken in Argentina to consolidate cotton production, develop the use of best modern practices, improve classing and quality, and minimize risks. He congratulated the host country, the organizing committee, the interpreters, and all those who worked hard to make this plenary meeting possible. The delegate's remarks and Argentina's country report are statements of the meeting.

The CHAIR recognized the delegate of EGYPT, who expressed his thanks and the gratitude of his delegation and on behalf of the Egyptian people to the people and the Government of Turkey for hosting this meeting and for their hospitality. The delegate thanked all participants, the organizing group, the executive director and the staff of the ICAC and the interpreters. He reported that Egypt has a significant role in producing high quality cotton, and is careful to utilize technologies to produce cotton of high quality and free of contamination, and also to minimize the use of chemicals. He noted that Egypt supports the liberalization of the cotton industry. Cotton area is estimated at 580,000 feddans in 2007/08, up from last season. However, production is expected down from 212,000 tons to 161,000 tons. The delegate reported the efforts of the Egyptian cotton sector to improve its competitiveness and promote the Egyptian cotton logo. His remarks and Egypt's country report are statements of the meeting.

The CHAIR gave the floor to the delegate of Japan. The delegate thanked the organizing committee and the executive director of the ICAC for giving him this opportunity to address the Plenary Meeting. The delegate reported on the current situation of the Japanese cotton industry. He said that consumption and imports of cotton continue to decline, while the relocation of spinning capacity overseas is continuing. Meanwhile, imports of cotton products are rising. The delegate made proposals for cotton producing countries to improve their competitiveness: offering "high spinnability cotton", contamination-free with fewer neps; facilitating commercial standardization of instrument testing of cotton; developing environment-friendly cotton production. The delegate's report is a statement of the meeting.

The CHAIR gave the floor to the delegate of Bangladesh. The delegate expressed his gratitude to ICAC for giving him the opportunity to present his report. He reported that the Bangladeshi textile industry is growing at a fast pace. Bangladesh grows very little cotton and imported 520,000 tons of cotton in fiscal year 2006/07. Requirements are projected to reach 1,000,000 tons by 2009/10. The textile sector is the prime mover of the economy and contributes 10.5% to the GDP. The delegate said that rules of the trade should be known in detail by both sellers and buyers, and that ICAC can play a vital role to disseminate trade rules and regulations. The delegate praised the increasing cooperation between Bangladesh and ICAC members. The delegate's report is a statement of the meeting.

The CHAIR recognized the delegate of NIGERIA who extended the appreciation of his Government to the Government of Turkey for hosting the 66th Plenary Meeting. He congratulated the ICAC, the organizing committee and the other member countries for a successful meeting. The delegate underscored that cotton is a very important cash crop in Nigeria. He described the production conditions and reported that production in 2005/06 is estimated at about 300,000 tons of seed cotton. An increase to 400,000 tons is expected in 2007/08. 80% of the lint is meant for export as the textile industry is operating well below its installed capacity and is in need of modernization. The government set up a Cotton Development Committee (CDC) in 2006 to improve quality for domestic use and for exports. The issue of contamination is receiving attention. The delegate said that Nigeria

seeks funding for cotton classification laboratories. His remarks and Nigeria's country report are statements of the meeting.

The CHAIR recognized the delegate of SPAIN, who thanked the Government of Turkey for hosting and preparing the 66th Plenary Meeting and for the warm hospitality extended to participants. The delegate reported that cotton production in Spain dropped 60% to 141,000 tons of seed cotton in 2006/07 from 355,000 tons the previous year. Planted cotton area fell 27% from 81,000 hectares to 62,500 hectares in 2006, due mainly to the implementation of the new EU cotton regime. In addition, the average yield dropped to 2.3 tons/hectare in 2006, down from 4.1 tons/ha the previous 2 seasons. The delegate said that production is estimated at 125,000 tons of seed cotton in 2007. Her remarks and Spain's country report are statements of the meeting.

The CHAIR gave the floor to the delegate of BRAZIL who thanked the ICAC and the Government of Turkey for the wonderful organization and the warm welcome. The delegate said that the Brazilian experience of cotton shows that the best investment for governments is in the education of farmers and the incentives given to their organization. The delegate reported that Brazilian farmers achieved good yields and were able to meet the requirements of the market only after they grouped in associations. He said that the government only intervenes when the cotton sector is affected by the interference of distorting subsidies from other countries and by exchange rate fluctuations. The delegate's remarks are statements of the meeting.

The CHAIR recognized the delegate of COLOMBIA, who thanked the ICAC and its staff, and the Organizing Committee. The delegate said that cotton is a strategic crop in Colombia. She reported that, due to the improvement in agricultural practices, the low level of pest infestation and the increase in the use of biotech varieties, the average yield surpassed 900 kg of lint/ha in 2007, and production reached 41,662 tons despite the decline in area planted. Production is expected to decline slightly in 2008 due to a further reduction in plantings caused by excessive rains. The cotton sector is affected by the re-evaluation of the domestic currency against the US dollar. The delegate's remarks and Colombia's country report are statements of the meeting.

The CHAIR thanked all delegates for their statements and adjourned the Second Plenary Session at 12:10 hr.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES FIRST OPEN SESSION

11:00 hr. Monday October 22, 2007

Mr. Yakup Güngör, President of Textile Group of Hacı Ömer Sabancı Holding A.S., in the Chair.

The topic of this Session was Strategies for National Competitiveness in Textile and Garment Industries.

The first speaker, Mr. Ahmet Öksüz, Vice Chairman of the Istanbul Textile and Apparel Exporters' Association, presented the outlook for the Turkish textile and apparel sectors in a global competitive world. He highlighted that structural change occurred in the global textile and apparel industry in recent years, and the change in the paradigm of competitiveness from being cost and price oriented to being quality oriented. He stated that competitiveness nowadays requires qualified human resources, significant research and development efforts, and more creative marketing strategies. He indicated that the phasing out of textile quotas in 2005 has increased competition, and that price became the main tool for competition. He also indicated that recent significant increases in population in Asian countries have expanded the size of the world textile market, and that a new supply model based on regionalism is in practice in world textile trade. In this new supply model, not only prices but also product quality and social standards define the terms of competition. Mr. Öksüz reported that in this new global environment, Turkey has made sound reforms and will continue to liberalize its economy in the coming years and that, as a result, he expects to see Turkish trade of textile and garments increase. He said that Turkey succeeded at further enhancing the functioning market economy through ensuring competitiveness, upgrading productivity, strengthening the investment climate, encouraging private initiative and entrepreneurial skills, and employment creation. He reported that Turkey was ranked ninth among textile exporting countries, and fourth among apparel exporting countries in 2005. He indicated that Germany was the main destination for Turkish exports of clothing in 2006, followed by the United Kingdom, the U.S. and France. The total share of the E.U. on Turkish exports of clothing is estimated at 76%, while its share of Turkish exports of textiles is estimated at 41%, according to the Turkish Undersecretariat for Foreign Trade. Mr. Öksüz highlighted the differences between textile and apparel firms in Turkey. Textile firms are big, capital intensive corporations, and employ half a million people, while apparel firms are small and medium, labor intensive enterprises, and employ 2 million people. He indicated that Turkey is the fourth largest yarn producer in the world, with 6.5 million short staple spindles, 745 thousand long staple spindles, and 552 thousand open-ended rotors, comprising 52 percent of the E.U. installed capacity. He also indicated that Turkey has the seventh largest loom capacity in the world, totaling 55 thousand looms and representing 43% of the E.U. installed capacity. He said that Turkey benefits from the E.U. new supply model, given the E.U.'s intention to reduce the delivery time and the strategic location of Turkey, as well as Turkish installed capacity. Mr. Öksüz emphasized that quality management should be applied to the whole value chain in order to increase competitiveness, and that Turkey should pursue the goal of representing 6% of global trade in 2010, a projected value of 30 billion U.S. dollars. He also stated that in order to enhance competitiveness, the Turkish textile and apparel sector is aware of the fact that a major change in the strategy and state policies are also essential.

The secretary General thanked Mr. Öksüz for his presentation. He asked whether it is feasible for countries to develop any apparel industries and not textile industries. Mr. Öksüz answered that the

apparel sector is crucial for the textile sector, and that if the apparel sector grows, the textile sector will also grow.

The delegate from **Côte d'Ivoire** asked about the way competitiveness is ensured in Turkey, whether by law, regulations or other mechanisms. Mr. Öksüz answered that the textile and garment sector is very important in Turkey, and that the disadvantage of high local cost of labor and energy is compensated with the focus of the sector on producing high value added products, investments in marketing and branding, and not so much on competing in prices. He added that Turkey, as a member country of the WTO, is also fighting against unfair competition in that forum.

The second speaker was Mr. Ziya Altunyaldiz, Acting General Director of Exports in the Government of Turkey. Mr. Altunyaldiz made a presentation about the rapid transition of the Turkish textile and clothing sectors in the global arena. He emphasized that global competition in textiles and clothing markets has intensified after 2005 when quotas were abolished and that production has concentrated in the regions with relatively lower costs of production. He also pointed out that final consumption of textile products increased at a faster pace in developing countries than in developed countries. He indicated that increased demand for high value added products (such as technical textiles and branded/fashion oriented products), flexible production, fast delivery, just in time management in production structures, clustering of firms, social and environmental standards and increased attention to TRIPs are among the main issues of the global agenda for textiles and clothing. Mr. Altunyaldiz stated that cotton plays a crucial role in the world market for textiles, and that cotton was losing market share to non-cotton fibers. He indicated that the most relevant recent developments in the global agenda for cotton have been the Development of the Doha Round and the Cotton Initiative of the C-4 countries. He also mentioned that despite NAMA negotiations (Non-Agricultural Market Access), tariffs remain high. He also pointed out that demand for organic as well as high quality cotton has been increasing in recent years. He highlighted that the main competition tools for Turkey after 2005 are a strong production chain from fiber to ready wear ("full package service"), "fast fashion" (Turkey is capable of launching at least 4 collections a year), branding, proximity to big markets (the E.U., Russia, Middle East countries), large textile production capacity that can be adapted to produce technical/functional textiles, observation of environmental and human health standards and intellectual property rights, and a focus on new market approaches. The national strategy for sustained competitiveness in textiles and clothing can be classified into an exporting strategy based on high value added technical/functional/smart textiles and technology and design driven clothing products, a clustering strategy for small and medium enterprises in order to improve their international competitiveness, and a promotion strategy ("Turququality"). Mr. Altunyaldiz indicated that Turkey is the seventh biggest cotton producing country, the fourth biggest cotton consuming country, and the second biggest cotton importing country. He reported that the national strategies for sustaining cotton competitiveness include the establishment of the National Cotton Council, increasing the production of organic cotton, reducing costs of production, intensifying research and development activities and facilitating widespread utilization of machinery during harvest. He ended his presentation by thanking everybody for attending the meetings. The delegate of India, on behalf of the Indian delegation, thanked Mr. Altunyaldiz for organizing the meetings and for his presentation, and asked about the official steps that the government is taking to make Turkish textile and apparel very competitive. Mr. Altunyaldiz indicated that the government of Turkey is promoting the addition of value throughout the supply chain. In that respect, he highlighted that Turkey has a unique advantage: having all stages of the supply chain within the same country. Producers work to achieve higher yields per hectare, increase cotton quality and some of them plant organic cotton. The textile sector produces technical/functional textiles. The clothing sector is trying to promote designer and own-brand clothes to penetrate more markets. All these steps, he concluded, tend to make Turkey a leading country in the region.

The third speaker, Mr. Matthias Knappe, Chief of the Market Development Sector at the International Trade Center, made a presentation about the competitiveness requirements of the textile industry. He indicated that competitiveness is market-/buyer-driven and has 3 levels (macro, meso and micro

levels), and that cotton, textiles and clothing are not 3 different value chains but one value system combined at national, regional or global level. He noted that the U.S., the E.U. and Japan were the traditional markets for textiles and clothing, but nowadays that leading role has been taken over by Asia. He said that the future of the textile and clothing markets is in developing countries, whose economies have been growing significantly faster than those of the U.S., the E.U. and Japan. He highlighted that understanding the market is the first step to be competitive. He said that the most important factor when placing import orders is consistent quality, followed by speed to the market in the second place, and low cost and product development capabilities in the third place. He indicated that at the macro level there has been a shift in competitiveness, and that preference is not a substitute to competitiveness. Trade policy aspects are losing importance, and macro costs (aggregate cost of doing business, corruption, etc.) are still important but production costs (price) are no longer the most important determinant of trade. At the meso-level, he said that institutional infrastructure is crucial for sector development, and that the textiles and clothing sector is changing from a disorganized business to a managed sector. He cited as an example the development of new programs at Asian universities specializing in textiles and clothing. He claimed that the industry needs to build know-how and skills and that small and medium enterprises need the institutional back-up to become competitive. At the micro level, which is in his view the most important of three levels, he noted that not only manufacturing and sourcing and product development were key to competitiveness, but also full service and full partnership are required nowadays to be competitive in the world market. He cited as an example of full service and full partnership the relationship between JC Penny in the U.S. and LT Hong Kong, through which the warehouse in Hong Kong maintains a real time inventory of all stores of JC Penny, and places shipping orders immediately after stocks go under a certain minimum level at each store in the U.S. Mr. Knappe highlighted the relevance of recognizing the three part relationship between factory size, product size and customer size. As an example, he indicated that a small company cannot be a supplier of simple t-shirts to Wal-Mart. Finally, he underlined the importance of recognizing the potential for value addition through linking chains of value into a value system, and controlling the links. China (Mainland), India, Turkey, Brazil and to some extent South Africa are considered to have the complete value system. Small countries might not be able to develop a vertically integrated industry, but they can develop a regional vertically integrated industry from cotton to clothing. He cited COMESA in Africa as an example of value system, since it controls the links between all value chains across countries, even organic cotton. He mentioned that this argument could be considered as his own answer to Dr. Townsend's question to Mr. Öksüz.

The delegate from **Colombia** disagreed with Mr. Knappe regarding the importance of the macro level for achieving competitiveness, and stated that she believes the macro level has played an increasing role in recent years for the competitiveness of the cotton sector, and cited as an example the deep reform process undergone by Turkey over the last year. The delegate from Colombia also asked Mr. Knappe to explain his views about the role of changes in exchange rates on competitiveness. Mr. Knapp answered that although the CFA zone was affected by changes in the exchange rate, the overall relevance of the effects at the macro level is declining, particularly after the elimination of quotas. However, he noted that the macro level is still important.

The delegate from **South Africa** disagreed with Mr. Knappe on any factor being less important than the others. She indicated that the relative importance depends on the perspective of the observer, and as a member of the government she has to look and care for all three elements. Mr. Knappe stated that he referred to relative levels of importance throughout his presentation, and not absolute levels of importance, so the macro level is less important relative to the other two levels in his perspective, but that is different from stating that the macro level is not important.

The delegate of **Egypt** commented that since 1963 there have been 6 faculty members in his country dedicated exclusively to studying issues related to the garment and textile industry.

The delegate from **Kenya** thanked the Committee for allowing her country to be a member of the ICAC and asked for clarification from Mr. Knappe on the macro sector becoming less important and, in particular, on how to manage economies of scale as we move into smaller units. Mr. Knappe agreed with the delegate from Kenya that full partnership requires big companies, and that this tendency goes against small companies. However, he indicated that at the meso level production infrastructure could be organized so that many smaller companies achieve economies of scale acting together.

The fourth speaker, Mr. Shafqat Ellahi Shaikh, Chairman of All Pakistan Textile Mills Association, presented Pakistan's strategies for national competitiveness in textile and garment industries. He asserted that in today's globalized trade, successful players must be able to nurture their textile economies where competitive advantages exist. He said that Pakistan enjoys an inherent advantage in basic textiles, and that such advantage is being utilized by the industry as a springboard to move down the textile value chain. Mr. Shaikh asserted that the textile sector is the backbone of the Pakistani industry today, and reported that there are 12 million installed spindles in Pakistan (half of which are less than five years old), 24 thousand shuttle less looms, 6 thousand air jet looms, 300 thousand auto/power looms, 18 thousand knitting machines, and 4.6 billion square meters of fabric processing capacity. He said that Pakistani production is estimated at 2.4 million tons, and that there is the potential to increase cotton production with the introduction of biotech cotton, which is being considered at the moment. He also said that Pakistani cotton consumption is increasing at an average annual rate of 8%, and that cotton consumption is estimated at 2.7 million tons, while man-made fiber consumption is estimated at 0.5 million tons. Mr. Shaikh emphasized that the Government of Pakistan is an advocate of an open, deregulated and market driven economy and, as such, is putting special emphasis on privatization, liberalization and attracting foreign direct investments, mainly through investing heavily in infrastructure and local capacity building. He said that current Pakistani textile exports amount to 10.6 billion US dollars in 2007, and that the Government of Pakistan has set a target of 23 billion US dollars of textile exports for 2014, while the private sector has set a target of 29 billion US dollars of textile exports for 2014. He mentioned that Pakistan enjoys special market access to textile and clothing in China (Mainland) under a free trade agreement that eliminates all tariffs for Chinese imports of cotton yarn, undyed fabric, processed fabric and bed linen from Pakistan for domestic use starting in 2008, and sequentially reduces the tariff for ready-made garments from 16% in 2007 to 8.04% in 2010. Mr. Shaikh also mentioned that Pakistan expects to sign a bilateral agreement with the U.S. through which some areas, denominated as Reconstruction Opportunity Zones, will be designated as duty free areas for 15 years, in an attempt to facilitate their recovery from the earthquake that affected Pakistan in 2005. He highlighted the size of the local market in Pakistan, about 160 million people from which 60 percent are at most 30 years old. He also highlighted Pakistan's strategic location, close to China and India, and the existence of land routes to Turkey, Central Asia and Afghanistan as strengths to generate alliances and joint ventures with other countries. He compared input costs in Pakistan with those in China (Mainland), India and Turkey, and concluded that input costs in Pakistan are the lowest in the region.

A person from the audience thanked Mr. Shaikh for his presentation and commented that the road connecting Pakistan and Turkey has been under construction for at least one and a half years, and asked him about the expected date of finalization of construction, since without such a route it is not possible to deliver marketing orders on time. Mr. Shaikh answered that it is not possible to finish such a route in a short time, but it is important that the route is under construction now.

Another person asked if there are any effective measures in place to avoid imports into China (Mainland) from being re-exported. Mr. Shaikh answered that nowadays there is no duty in China (Mainland) for imports that are being re-exported, but that there are duties on imports for local consumption, and the free trade agreement eliminates duties for Pakistan's exports into China (Mainland) for domestic use.

The fifth speaker, Dr. M.L. Dhaoui, Coordinator of Thematic Issues at the Office of the Director-General, UNIDO (United Nations Industrial Development Organization), presented UNIDO's approach on upgrading productive and trade capacities in cotton, textile and garment industries. UNIDO was established in 1966 as UN Special Organ responsible for promoting sustainable industrialization throughout the developing world and in countries with economies in transition. In 1986, UNIDO was transformed into a United Nations Specialized Agency. The focus on technical cooperation is based on a set of thematic initiatives: trade capacity building, poverty reduction through productive activities, and energy and environment. As a Global Forum, UNIDO disseminates knowledge about industry and provides a platform for the various actors in the public and private sectors, civil society and the policy-making community in general to enhance cooperation, establish dialogue and develop partnerships. As a Technical Cooperation Agency, UNIDO designs and implements programs through integrated programs or country service frameworks, based on combinations of its service modules, or in stand-alone projects involving only one or two service modules, and regional programs with focus on thematic issues. The Cotton Initiative is UNIDO's response to the Doha Declaration issued on the occasion of the Fourth WTO Conference, the Millennium Development Goals, and the proposal for an E.U.-Africa partnership in support of cotton sector development. UNIDO's Cotton Initiative seeks to enhance and diversify the cotton sector's contribution to GDP, employment and exports thereby addressing declining competitiveness and stagnating income of African cotton producers, and contributing to efforts aiming at reducing dependence of primary goods and eradication of poverty in the region. The Cotton Initiative intends to enhance the competitiveness of the supply capacity of the cotton, textile and garment (CTG) chain, ensure the conformity of the CTG products with international standards, and connect efficiently the CTG products to national, regional and international markets. Dr. Dhaoui indicated that the ongoing activities in the frame of the Cotton Initiative are directed to strengthening quality infrastructure in West Africa and establishing the institutional infrastructure for the standardized instrument testing for cotton; supporting the Association Cotonnière Africaine for development of the African Cotton Standards and training of technicians and engineers from various cotton companies in West Africa on cotton seed breeding, ginning, classification and trade; conducting research to develop appropriate strategies for the cotton value chain in Africa; and preparing a Cotton Quality Manual for West Africa countries. UNIDO's approach on upgrading productive and trade capacities in the field of textile and garment industries consists of increasing the local transformation at first and second levels in the cotton-textile-garment value chain. He emphasized that through restructuring and upgrading of selected African cotton and textile enterprises, supply capacity will be strengthened to improve productivity and competitiveness on a pilot basis, facilitating access to new technologies and innovations, strategy development and market promotion. He indicated that the objective of this approach is to enable developing countries to rapidly establish the necessary physical and institutional infrastructure to satisfy the technical requirements of the Multilateral Trading System. For integrated technical assistance and capacity building actions UNIDO developed the 3-Cs Trade Capacity Building Approach focusing on the areas of: Competitiveness of the supply side, Conformity with market requirements and Connectivity to the market. He underlined that the upgrading and modernization programs primarily aim at enhancing and supporting competitiveness of textile and garment industries, and integration in global trade and growth at the industrial and enterprise levels. These programs cover the upgrading of pilot enterprises selected from textile and garment industries, improvement of the business environment and strengthening of technical support institutions (technical centers, building national capacities, developing business centers, developing quality and standardization institutes, investment and export

institutions) dealing with textile and garment industries. Dr. Dhaoui said that the factors affecting competitiveness of CGT industries can be grouped into external and internal sources. The external sources come from the national economy, while internal sources come from the industry and the enterprise. This approach resembles the approach of the International Trade Center presented earlier by Mr. Knappe. Dr. Dhaoui presented two success stories from the upgrading program in Tunisia. A 5-year program with a firm specialized in denim and sports-wear, SITEX (the National Textiles Society), resulted in significant gains in competitiveness: production of first class textiles increased from 88 to 95 percent, off-shade textiles production declined from 28.7 to 2.6 percent; job placement of young specialists increased from 12 to 15 percent; and the delivery time decreased to 2-3 weeks. The second case is that of United Colors of Benetton, a transnational company that currently has a network of 100 sub-contractors and suppliers throughout the country with around 7,000 people working. He indicated that the upgrading program resulted in a 20% increase in the total revenue from exports of the locally finished ready-made garments.

The delegate of **South Africa** thanked the hosts and the Secretariat for making this meeting a success, and Mr. Knappe and Dr. Dhaoui for bringing about the issue of which kind of competitiveness we are talking about. She highlighted the importance of this topic, and claimed that there is a need to take the discussion to another level so that all can benefit from this integrated approach, particularly regarding the integration of the three levels of competitiveness and how to reach a balance among them.

The CHAIR of thanked the contributions of the panelists and the audience.

The Session was adjourned at 13:00.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES SECOND OPEN SESSION

14:30 hr. Monday, October 22, 2007
Mr. Sabri Unluturk in the Chair

The Chair noted that the theme of global production competitiveness is very important and was chosen as a topic for the first open session devoted to textile production and for this session devoted to cotton production.

The Chair introduced Mr. Nick Earlam of Plexus Cotton to present a report Cotton Policies. Mr. Earlam shared the experiences of his company in Africa. He highlighted the importance of agriculture and cotton for economic development in Africa, and reported that key policy objectives for public and private sector cooperation in African countries should focus on attracting investments in the ginning industry, stimulating investments by ginners in cotton inputs for farmers, field extension to increase farmers' yields, expanding research and development for achieving higher yields and better varieties, improving cotton lint and seed quality, and encouraging investments in downstream textile sector production. He noted that to support investments in the ginning sector governments should establish clear and secure ownership, tax and local surcharges rules, discipline against local authorities attempting to exploit investors, and have no tariffs on imported machinery and fuels. Mr. Earlam said that benefits of an established ginning sector include development of rural areas, stimulation of cotton production as the major cash crop, supporting education, rural health and affordability of food. He highlighted three alternatives for stimulating ginners' investments in cotton production: the first alternative is to create concession areas, example Mozambique, where five year concessions are awarded and retracted based on cotton performance, with targets set for production and government set prices for seed cotton in consultations with all stakeholders; the second alternative is to implement zoning of cotton areas, example Uganda, where investments by each ginner were enforced, monitored and audited by the government, but was eventually scrapped due to lobbying by ginners; and the third alternative is to enforce farmer/ginner input contracts, example Zambia, where the government assists in developing contracts to supply and repay inputs on credit and ensures that contracts are performed. Mr. Earlam indicated that there is no government regulation and no protection of investments in seed cotton inputs in Tanzania and as a result low investments, low yields, low quality and low farmer returns, and low prices received for Tanzanian cotton on world markets. He said that Africa lags behind other developing countries in cotton yields and that training should be practical, applied in the field on demonstration plots, providing huge returns to African smallholder agriculture if government agencies will work through ginners, and effective field officers providing performance incentives based on yields or adoption of correct practices. Mr. Earlam suggested that each country should have a strong seed-breeding initiative, either through a government department or the private sector, Bt cotton developments in India and China (Mainland) should be monitored and if Bt is adopted it should be based on locally developed varieties. He noted that Nigeria lint contamination reduces prices drastically and stressed the need for government regulation to ensure ginners adhere to international standards, and the need for enforcement of the use of woolpacks and cotton/polythene picking bags, and sorting of hand picked seed cotton at farms and ginneries to reduce contamination. Mr. Earlam noted that with the presence of a ginning industry, textile investment is a good way to industrialize the economy, but called against the temptation to penalize ginners and farmers in favor of textile producers by setting local cotton prices below international values.

The delegate of **Tanzania** said that he sympathizes with some of Mr. Earlam's remarks and comments that in reality no investors in the ginning sector have pulled out, that other investors such as Olam are coming in and the government is striving to attract investments in the cotton sector. The delegate of Tanzania said that he sympathized with some of Mr. Earlam's remarks and commented that in reality no major investor such as Cargill, Paul Reinhart and Olam have pulled out. In fact Olam Has now bought a ginnery there. The government is trying its best to attract investments in the sector.

The delegate of **Nigeria** said that there is no doubt that Nigerian cotton suffers from some quality problems and that is why the government has issued an initiative to launch a national cotton quality regulation that should

reverse the situation for better in 1.5-2 years.

The delegate of **Uganda** proposed to devote a session, possibly at another conference, to the issues of African cotton competitiveness raised in the presentation by Mr. Earlam. She agreed with some observations regarding the negative effects of the discontinuation of Uganda zoning system and explained that major reasons for this developments were a liberalization of the cotton market and a shift in production from the Eastern region in Uganda to the Northern areas and reduced investments by ginners. She noted that prices paid to farmers should be fair.

The delegate of **Brazil** asked if the creation of farmer cooperatives is encouraged in Africa as a way to ensure farmer' competitiveness and a fair price received by them.

Mr. Earlam replied that farmers in Africa are smallholder operators, opposite to Brazilian farmers, and Africans form cooperatives on a small scale.

The Chair introduced Mr. Célestin Tiendrebeogo of SOFITEX to present a report on Strategies for the Burkina Cotton Sub-Sector Competitiveness. Mr. Tiendrebeogo reported that cotton production in Burkina Faso rose five fold between 1995/96 and 2005/06, reaching 300,000 tons, has a major economic and social importance, providing up to 8% of GDP, more than 60% of export income and provides incomes to more than 3 million people. He noted that it is generally accepted that West and Central Africa have a comparative advantage in cotton production, however an increasingly difficult international environment threatens this advantage, especially, lower international prices, unfavorable Euro/Dollar exchange rate, productivity gains in other countries associated with the use of Bt cotton, man-made fiber market share increases, and subsidies offered by some producing countries. Mr. Tiendrebeogo described the history of reforms in Burkina Faso and indicated that the current stage of reforms is based on safeguarding of the integrated approach for the sub-sector, the existence of three cotton companies in defined geographic zones, maintaining the mechanism of producer price setting composed of one predefined and one variable element, and maintaining a group of stable shareholders comprising ginners and cotton producers. He noted that Sofitex operates in the West, Fasocoton in the center and Socoma in the East of the country. He reported that the main strategies for the sector include setting up a mechanism for management of price risk, based on a segmentation of the risk and a differentiation of management modes. Mr. Tiendrebeogo noted that risks could be managed by a national special fund, risks could be insurable using market mechanisms, and risks related to a market breakdown could be dealt with exceptionally by a safety net. He reported that the overall objective is to make the cotton sub-sector more competitive by increasing factory and farm productivity, continuing improvement of products and services and controlling production costs. Mr. Tiendrebeogo said that the strategy of improving the sustainability of cotton farming and production systems is based on better management of soil fertility, protection of the environment and introduction and management of land tenure security. He stated that the implementation of these strategies requires a number of supporting measures, including the development of community infrastructure and capacity building of key stakeholders. Mr. Tiendrebeogo concluded that these measures enabled the cotton sub-sector in Burkina Faso to achieve record performance marks in terms of volume and quality of production, despite the persistent threat of exogenous factors.

The Secretary General asked if the zoning system referred to by Mr. Earlam is the same in Burkina Faso.

Mr. Tiendrebeogo said that in the process of privatization resulted in 3 cotton zones for 3 companies set up in Burkina Faso so that major ginning mills in each zone are located far from mills in other zones, avoiding the possibility cross shipments of seed cotton between the zones. He said the system works well.

A delegate of Argentina asked who owns major capital in each of the three cotton companies in Burkina Faso, Africans or companies from outside Africa.

Mr. Tiendrebeogo said that the government, Dagris and farmers own Sofitex, while farmers and private domestic and non-African investors own the two other companies.

The Chair introduced Mr. Fatih Dogan of Akdeniz Exporters Association, Turkey, to present a report on Logistical, Marketing and Quality Issues Affecting the Competitiveness of Cotton. Mr. Dogan reported that the location of purchased cotton directly affects logistics and the cost of delivery that can vary by 1-6 cents per pound in Turkey, and shipping costs of imported cotton can vary significantly. He noted that Turkish importers of cotton from

Greece, Syria and Central Asia prefer shipments by truck or vessel, depending on the cost. He said that most of the time trucking is cheaper as it allows shippers to save on FOB expenses, while buyers save on transportation from a port to a mill and on port and customs charges. He illustrated cotton transportation routs and options in Turkey. Mr. Dogan said that in marketing, retailers use terms such as, free from contamination, organic cotton, fair trade, Cotton Made in Africa, Better Cotton Initiative and others. He noted that cotton couldn't be 100% free of contamination. Mr. Dogan questioned the validity of the organic cotton certification process and indicated that in the process of spinning, weaving, knitting, mercerizing and dyeing cotton is treated to some chemicals and becomes non-organic. He reported that production of organic cotton is not sustainable because it is 50% more expensive and requires more land, water and labor. Mr. Dogan said that the 'fair trade cotton' term is used to make consumers feel that they are helping the poor producers, while Made in Africa is designed to cause similar feelings and does not involve a premium. He said that the 'Better Cotton Initiative' is a mixture of all the mentioned marketing tools. Mr. Dogan mentioned that the CCI devotes great efforts to promote U.S. cotton and to increase the share of cotton in fiber consumption. He said that cotton quality is an important factor of competitiveness and can be affected in the process of harvesting and ginning. Mr. Dogan suggested that efforts to promote cotton by CCI should be emulated by all countries and should concentrate on conventional production rather than on new marketing terms invented by retailers.

The delegate of **Argentina** observed that Mr. Dogan's presentation was clear and while cotton growing, and harvesting progressed a lot there are problems with ginning. He said that increased ginning speed led to a deterioration of fiber quality.

Mr. Dogan replied that in Israel custom of ginning with reduced ginning speeds was practiced and that buyers pay a premium for lower speed ginned. He noted that this could be practiced in other countries.

The delegate of **Argentina** observed that it could be ideal, but the problem is that the buyers in many cases do not pay a premium for slower-speed ginning and that producers and ginners should not be blamed for that, but buyers should, as they penalize producers.

Mr. Dogan replied that cooperatives in Turkey pay a premium for cotton from certified seed and higher quality, if ginners take responsibility for quality production.

An observer said that the environment should be protected and that conventional cotton production accounts for a disproportionate share of pesticide use. He suggested that if not organic cotton, cotton production with the lower use of chemicals should be supported.

Mr. Dogan replied that the South-East of Turkey is blessed with a production environment that does not require the use of a lot of chemicals, and cotton produced there should be automatically certified as organic, but in some other countries and regions production of organic cotton is not possible.

The delegate of **Uganda** observed that Uganda followed a number of recommendations, privatizing and liberalizing the industry in 1994, implementing the zoning system with mixed successes and now there is a recommendation to produce organic cotton, because of growing consumer demand. She said that now Mr. Dogan cautions against switching to production of organic cotton and asked what they should do. She again suggested holding a special seminar devoted to cotton production strategies in Africa.

Mr. Dogan suggested that Uganda should continue producing roller-ginned cotton, which has a very high reputation in international markets.

The delegate of **Brazil** asked Mr. Dogan to share experiences with saw ginning in Turkey.

Mr. Dogan suggested that ginners could be approached and asked to slow the speed of ginning for a premium in order to achieve an improvement in quality. He noted that this should solve ginning quality problems.

The delegate of **Brazil** agreed that premium should be paid for a quality oriented ginning results.

The delegate of **Argentina** observed that the market demanded higher ginning speeds but this is the wrong way to proceed, because the process damages fiber. He noted that The World Bank encouraged African countries to

privatize cotton industries, but it caused a number of problems and African countries should be guided on best technologies in ginning.

The Chair introduced Mr. Tugrul Yemisci, Member of the Turkish Parliament, to present a report on Possibilities of Creating a Mediterranean Regional Cotton Market. Mr. Yemisci presented a brief overview of the cotton market in Turkey, indicating that cotton production currently exceeds 900,000 tons, consumption reached 1.6 million tons, and Turkey remains a major importer of cotton with 50% of imports originating from countries in the region. He noted that production in countries located in Turkey's geographic vicinity equals 5 million tons, while exports by these countries amounts to 3 million tons. Mr. Yemisci observed that cotton production and trade in Turkey dates back many centuries and there are records indicating exports from Izmir to various European countries in the 17th century as well as a history of imported cotton in transit through Turkey to other markets. He noted that the first commodity exchange in Turkey was founded in Izmir in 1891 with cotton and seedless raisins as major commodities traded. Mr. Yemisci indicated that cotton spot prices are set at the Izmir Commodity Exchange daily and are monitored by market participants in Turkey and around the globe. He informed that recent Turkish legislation necessitates quality control of cotton stored in licensed warehouses by authorized agents and the issuance of a commodity certificate that could be traded at the cotton spot exchange to be established in the near future. Mr. Yemisci said that the new electronic trading system would be open to cotton from Greece, Syria and Egypt, while licensed warehouses will be built initially in Izmir, Adana, Aydin, Diyarbakir, Sanliurfa and Gaziantep, while additional certification centers could be built later in Africa and Central Asia. He noted that taking into account domestic production and imports, the volume of trade transactions could reach US\$10 billion. Mr. Yemisci concluded that taking into account that the futures market was founded in Izmir in 2005, a prospective Izmir Cotton Exchange would not only bring about many advantages to cotton producers and consumers, but also will boost trade volumes and the number of traders.

The Chair thanked Mr. Yemisci for his comments.

The Chair adjourned the meeting at 3:55 PM.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

THIRD OPEN SESSION

9:00 hr. Tuesday October 23, 2007

Dr. Sebahattin Gazanfer, Vice Chair of the PASP, Former General Manager of TARIS

The topic of this session was the social, environmental and economic performance of cotton production (SEEP). Dr. Gazanfer opened the third session by welcoming all participants and indicated that SEEP is a new topic for most in the ICAC family. He read the paragraph from the Statement from the 65th ICAC Plenary Meeting in Brazil through which the Committee directed the Secretariat to form an Expert Panel on SEEP. The objectives of the Expert Panel are to provide objective, science-based information to the Committee on the negative and positive aspects of global cotton production and to make recommendations for further action as appropriate. The Expert Panel will gather information from around the world on costs of agricultural labor and the factors that affect those costs. He noted that the Expert Panel was formed earlier in 2007 and that the panel has commenced its work. Dr. Gazanfer stated that this session represents a great opportunity for all participants, to become more knowledgeable about the SEEP. He introduced the distinguished speakers.

The first speaker, Mr. Allan Williams, Chairman of the ICAC Expert Panel on SEEP and Technical Director of the Better Cotton Initiative, presented an interim report from the Expert Panel on SEEP. He stated that he was honored to be entrusted to chair the Expert Panel. Mr. Williams briefly reviewed the rationale behind the formation of SEEP, as well as the guidance provided by the Standing Committee. He indicated that the main reason behind the formation of SEEP was that during the ICAC Plenary Meeting in Brazil last year several speakers provided information on the negative impacts of cotton production on soil degradation, water contamination, and exposure of workers to harmful chemicals, but there was a lack of agreement on the nature and extent of these negative impacts. He elaborated on the guidance provided by the Standing Committee, indicating that the first assigned task was to further define the terms of reference and plan of work for the Expert Panel and then to identify international issues for concentration, in particular areas of agreement and disagreement, and topics on which data need to be gathered. He indicated that the Panel has not felt the need to alter the terms of reference, and that the Panel expects to identify areas of disagreement once the initial round of data collection is conducted. He stated that pesticide use is one of the focal points for the Panel, and one of the specific activities discussed during its first meeting was the need to better understand any changes in patterns of pesticide use, particularly given the introduction of biotech cotton in many countries. He explained that the initial intention is to focus on changes in both the type of pesticide used, and the quantity used in countries where either biotech cotton has been adopted or WHO (World Health Organization) class I pesticides have been phased out. Mr. Williams also reported on the outcomes of initial deliberations of SEEP conducted during the recent World Cotton Research Conference in Lubbock, Texas, USA. The first task undertaken by the Panel was the identification of the specific areas about which information should be collected, and also the identification of which countries should be the focus for collection of that information. The guiding principles used to identify priority areas for data collection were that the issue needs to be significant internationally and that preferably there was country-specific expertise available amongst the members of the Panel. Mr. Williams emphasized that the Panel explicitly agreed that the identification process would be a dynamic one, so that both the issues highlighted and the countries from which data will be initially sought are open to revision and modification. He also gave a detailed description of the focal activities within each of the three areas of interest of SEEP. In the "social impact" area, the Panel will commission a review of the existing literature and information available on the social impacts of cotton, with particular emphasis on employment and job creation, and labor and working conditions in cotton production. For the purposes of manageability and costs, the Panel proposed that the review focus on the top 10 producing countries, namely China (Mainland), India, USA, Pakistan, Brazil, Uzbekistan, Turkey, Greece, Syria and Burkina Faso. The output of the analysis will include a list of social impacts, a summary of the principal sources of information, an evaluation of the quality of the data and an assessment of the scope of the existing data and a gap analysis, including suggestions where greater information and research is required. In the "environmental impact" area, the Panel will collect data on pesticide use, water management, soil management, production efficiency and energy usage, green house gas emissions and biodiversity from those countries that the various members of the Panel

are familiar with, namely Greece, Spain, USA, Burkina Faso, Mali, Benin and Côte d'Ivoire. Issues on the "economic impact" area have not been discussed in great detail, as the Panel felt that the ICAC has extensive statistical information that should provide a good starting point and also that the literature review on social impacts should help inform the Panel on economic issues. Information on the costs of agricultural labor and the factors that affect those costs to assess their impact on the social performance of cotton will be collected from those countries that members of the Panel are familiar with, and include Kyrgyzstan, USA, Burkina Faso, India, Brazil and Turkey. Mr. Williams stated that it was agreed that it was premature to discuss recommendations at this stage of the analysis. He concluded his presentation by listing the challenges that the Panel will likely face in pursue of its objectives: availability of information and accessibility to it; difficulties to isolate the impact of cotton production in a multi-crop farming system; reporting results containing critical information in a way that does not affect the political sensibility of any country. Mr. Williams expressed his sincere appreciation to all members of the Panel, and in particular to Dr. Terry Townsend and Dr. Rafiq Chaudry for their continued support.

Dr. Sadiki from Pakistan commented that the term "safe cotton" generates confusion among producers, and emphasized the need to refer to "safe use" of inputs of production instead of "safe cotton". Mr. Williams agreed with Dr. Sadiki's contribution.

The EGYPTIAN delegate asked that the ICAC to take actions to accelerate the replacement of chemical pesticides by bio pesticides.

The BRAZILIAN delegate asked Mr. Williams to specify the differences between the Better Cotton Initiative and the Expert Panel on SEEP. Mr. Williams answered that the role of the Panel is to identify the main impacts of cotton growing, while the Better Cotton Initiative is based on the idea that no matter how cotton is grown, it can always be done in a better way. The delegate from Brazil responded that the Panel should particularly focus on the social implications of growing cotton as well as on the legislative requirements for growing cotton in different countries.

A participant from India expressed his concern on the potential for the policy recommendations that will arise from the Expert Panel to end up being a non-tariff barrier to trade, and cited as an example that cotton is hand-picked by small children in many countries as a survival strategy of poor families, and a recommendation to avoid this practice might further harm the impoverished families. He suggested that the Panel provide only scientific recommendations to avoid invading other areas beyond science. Mr. Williams answered that evaluations of the social impacts of cotton production are sometimes conducted in a non-scientific way and it will be an issue to consider in making the analysis.

The CHAIR thanked Mr. Williams for his presentation and asked to move forward with the other presentations. The second speaker, Francesca Mancini, Vice Chair of SEEP presented the work of FAO related to SEEP. She stated that it was a great privilege to speak in front of the ICAC and thanked the Executive Director of the ICAC and the Organizing Committee for this opportunity. Ms. Mancini emphasized she did not represent FAO in this instance. She indicated that FAO has been a leading agency in understanding strategies to reduce the environmental and social implications of the use of pesticides in cotton cultivation for decades. She mentioned that acute pesticide poisoning has become a major public health problem worldwide following the intensification of agriculture and the promotion of agrochemicals in low and middle income countries, with more than 300 thousand deaths a year (according to a publication in a peer reviewed journal by F. Konradsen in 2007). She also indicated that currently there are no precise estimates of the health impacts resulting from longer-term exposure to pesticides. She stated that the need to ensure local agricultural production and food security in these countries and simultaneously protect the population against the health impacts following exposure to pesticides have emerged as major challenges. She indicated that cotton cultivation has become negatively known for its association with a large use of highly hazardous pesticides worldwide. According to data from Agronova (2003), pesticide use in cotton is said to account for 16% of global chemical pesticide use, more than any other crop. However, she pointed out that it is not clear the extent to which this data represents the current world situation. Ms. Mancini addressed the issue of providing farmer training on safe use of pesticides and protective equipment as a strategy to reduce human health risks in cotton production. She indicated that according to a study conducted in 4 countries by pesticide producer Novartis, training farmers on safe pesticide use for two years increases farmers' awareness and induces changes in practices during the time of the experiment when protective gear is distributed free of charge, but those changes in practices are mostly temporary and most producers return to their old practices after some time. The cited study concludes that "in a situation of economic deprivation, economic gains will take precedence over safety and health gains". FAO strategies to reduce exposure to pesticides are grouped in three levels. At the global level, FAO promotes the implementation of global conventions on the management of highly toxic chemicals, including certain pesticides, from production to disposal. A major achievement of this initiative is the progressive ban of WHO Hazard Class I pesticides in countries like China (Mainland), Costa Rica, Paraguay, Thailand and Vietnam. At the national level, FAO in

collaboration with WHO promotes policies to improve regulation and control of pesticide sale, distribution and use, as well as educational/advocacy tools to inform the public, agriculture and health care workers about health risks and best practice use of agrochemicals. An example of how the FAO assists governments at the national level is the National Plan for upgrading the capacity of the Plant Protection Division in India. At the field level, FAO supports the implementation of integrated pest management strategies that help reduce the use of agrochemicals, improve management, and optimize ecosystem mechanisms for pest control/soil enrichment, simultaneously protecting both farmers and the environment. An example of how the FAO assists governments at the field level are the farmer field schools in India, where farmers learn, through experimentation, the concept of biological control and how to optimize the use of their resources and to solve problems by themselves.

The CHAIR thanked Ms. Mancini for presenting interesting results from surveys and offering a number of recommendations in labor issues.

The delegate of Sudan thanked the Chair and asked Ms. Mancini if there is any difference between manual spraying and aerial spraying in terms of the negative effects of pesticide use. He also commented that the disposal of certain type of pesticides require specific facilities which are not available in developing countries. He asked Ms. Mancini about how to deal with that issue. The delegate commented that integrated pest management has been talked about, but he asked if any countries have discontinued pesticide use as a result of IPM program.

Ms. Mancini indicated that India discontinued aerial application of pesticides because it is known to generate more negative health effects than manual applications. She suggested that the delegate of Sudan consult the FAO web site and particularly the Plant Protection Service Division web site for information on how to deal with the disposal of pesticides in developing countries. Ms. Mancini noted that integrated pest management has been applied in developing countries, and although its application has not completely eliminated the use of chemical pesticides, it has decreased their use significantly both in India and in other countries.

The delegate of ARGENTINA, thanked the government of Turkey for Monday night's cultural presentation, and indicated that Argentina is trying to shift to integrated pest management. He asked Ms. Mancini whether she was aware of any studies on the human health and environmental impacts of the application of pesticides on other crops close to cotton. Ms. Mancini said that she had no answer for his question at the moment, but that the Panel would take note of his intervention and consider it a research question.

The delegate of NIGERIA thanked presenter, and asked Ms. Mancini to express her views on potential alternative ways to induce farmers to use safe practices in an environment where, according to Ms. Mancini's conclusions, economic pressure far outweighs safety concerns despite of human health risks. Ms. Mancini emphasized that those conclusions were not hers, but the result of a study by Novartis, and indicated that an alternative way to address the issue is to train the farmer, as they currently do in India, to conduct a simple economic analysis on pesticide use and let them realize that they do not always need more pesticides.

The delegate of BRAZIL highlighted the great performance of the SEEP so far, and asked Ms. Mancini about the impact of the adoption of biotech cotton in India. Ms. Mancini answered that, from her personal experience, if biotech cotton is adopted it is because farmers consider it more profitable than conventional cotton, and that she sees a need for implementation of proper pest management strategies to avoid the development of pest resistance through time.

A participant from TURKEY stated that on the one hand, it is recommended that pesticides be eliminated to mitigate the harmful effects of chemical pesticide use, and on the other hand pesticide companies increase production day by day, and asked Ms. Mancini to suggest measures to deal with this dichotomy. Ms. Mancini suggested that the creation of an FAO platform where both cotton producing countries and input producing countries could work together on this issue might be a potentially useful strategy.

The third speaker, Mr. Mark Messina, Executive Vice President of the Global Product Supply Chain, Cotton Incorporated, and Chairman of the International Forum for Cotton Promotion, presented his thoughts about production practices and marketplace realities that will improve the competitive position of cotton. He highlighted that the "competitive position" that he was referring to was not one country's cotton versus another country's cotton, nor organically-grown cotton versus conventionally-grown cotton. He was referring to the competitive position of cotton versus synthetic fibers. He stated that synthetic fibers are the real threat to the long-term viability of global cotton and that the competitive position of cotton would be enhanced by production practices that meet the principles of sustainability. These principles hold that the best practices are those that balance the needs of the environment, society, and economics. He indicated that it is not realistic to pursue practices that completely accommodate the needs of society without concern for the impact on the environment or economics. Likewise, it is not realistic to pursue practices that benefit society or economics to the overwhelming detriment of the environment. He also stated that cotton cannot be produced with zero impact on the environment. Mr. Messina claimed that the needs of and impacts upon society, the economy and the environment must be realistic and

transparent, and if they are, this will lead to the best decisions and practices. He highlighted that an appropriate use of technology is central to long-term sustainability for cotton, since the application of modern technologies have allowed producers to supply an expanding market with virtually no increase in land use. Mr. Messura acknowledged that cotton practices vary widely, as do growing conditions and, therefore, there is no single set of benchmarks or standards that can be applied universally to the world's cotton producers. He pointed out that sustainable cotton is really about the process of improving cotton; it is not about achieving some numerical score or reaching some final destination point. He cited the case of cotton production in the United States as an example of how it is possible to have diversity in production practices and yet continually improve and move toward better, sustainable practices: compared to 1926, land use for cotton production in the U.S. has declined by more than 76%, while still producing the same output; U.S. farmers have used technology to reduce costs and environmental impacts of pesticide use; only 35% of the land used for cotton production requires some form of supplementary irrigation in the U.S., and U.S. cotton production per unit of water has doubled over the past 25 years due to better varieties and more efficient irrigation technology; the use of conservation tillage practices in the United States, over the period 1996 through 2004, yielded reductions in carbon dioxide emissions by the equivalent of an estimated 27,000 cars. Mr. Messura indicated that several organizations contribute to a strong infrastructure that supports the development and dissemination of technologies and information that promote better production practices in the U.S., such as the Agricultural Extension Service, research universities, the U.S. Department of Agriculture, the National Cotton Council, Cotton Council International, and Cotton Incorporated. Speaking on behalf of Cotton Incorporated, Mr. Messura claimed that they have an extensive history of supporting developments in reducing the use of pesticides and water, and encouraging the use of practices such as conservation tillage and integrated pest management to lessen impacts on the environment. The company sponsors crop management seminars to disseminate those practices across the production regions. According to Mr. Messura, regulations governing the purchase, use, and disposal of agricultural chemicals place U.S. cotton farmers among the most responsible users in the world. He also claimed that established laws governing the workplace and workers' safety also put U.S. cotton producers among the leaders in the world cotton community for the treatment of workers and workers' rights. Transparency, understood as the open exchange of information and data that help producers identify the optimal use of inputs and ultimately, the correct balance among social, economic, and environmental factors, is a necessary prerequisite for sustainability and better cotton, according to Mr. Messura. He indicated that just as important to sound production practices is the competitive position of cotton in the marketplace. If textile manufacturers and retailers are not confident in cotton's sustainable production, then they and their customers will seek alternative fibers. He mentioned the harmful public debate about the benefits of conventional cotton and organic cotton, and indicated that the proper message that should be portrayed about global cotton is that both conventionally-grown cotton and organically-grown cotton can be sustainable production practices, yet they can also be done in ways that are not sustainable. Mr. Messura cited results from research conducted among U.S. consumers by Cotton Incorporated that reveal that cotton is viewed as the best fiber for the environment, while the fibers with the lowest ratings are mostly synthetic fibers. Cotton Incorporated has introduced a new trademark that can be used on cotton products at retail in the U.S. to remind consumers that cotton is natural and the preferred fiber for a sustainable environment. This new trademark, the Natural Seal of Cotton, can be used on 100% cotton products, and not just products containing U.S. cotton. Mr. Messura underlined that this is a step towards providing a competitive advantage for all cotton. He concluded by indicating that the combination of effective production practices that lessen the impact on the environment and the positive perception consumers have about cotton, gives the U.S. a strong competitive advantage to sustainably supply the world's number one fiber today, tomorrow, and well into the future.

Professor Osman, from TURKEY, thanked Mr. Messura for his presentation and asked him why the U.S. subsidizes cotton production hurting other countries if technological development is so functional, and farmers are so aware of best practices and enjoy high productivity. Mr. Messura answered that he is not qualified to discuss that question.

An observer from the U.K. asked Mr. Messura whether the IFCP has evaluated the potential measures to avert the negative perception generated by misleading publicity on cotton produced in non-organic ways. Mr. Messura shares the view that claims against conventional cotton production in favor of organic are unsubstantiated, and he said that Cotton Incorporated is asking U.S. government agencies to work on correcting that negative and wrong information. Mr. Messura also indicates that the IFCP has put together a set of recommendations that he invites everybody to review and share.

Dr. Gazanfer thanked presenters and the audience. Seeing no other questions, he adjourned the session at 10:04 AM.



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

**MINUTES
FOURTH OPEN SESSION**

11:00 hr. Tuesday October 23, 2007
Mr. Iskender Özdemir in the Chair

The CHAIR welcomed the participants and presented the theme of the session: "Outlook for Cotton Supply and Demand". He introduced Dr. Alejandro Plastina, Economist, ICAC Secretariat, to present a report on the Outlook for Cotton Supply and Use. Dr. Plastina reported that world growth in cotton production and the extraordinary expansion in mill consumption in recent years have gone hand in hand. Asia has been the main driver of these increases in production and mill use. World cotton production is expected slightly down in 2007/08, to 26 millions tons, due to reduced plantings. Despite the small gain in prices in 2006/07, cotton area is estimated slightly down in 2007/08 to 34 million hectares. The world average yield rose by 105 kilograms per hectare (16%) in 2004/05 and has not declined since. Recent yield increases in India, where one fifth of world cotton is planted, significantly contributed to the rise in the world average yield. Cotton yields in many countries are benefiting from the expanded use of existing techniques and inputs, as well as new technologies. It is estimated that 41% of world cotton area will be planted to authorized biotech cotton in 2007/08, contributing to 48% of world cotton production. The world yield is forecast stable in 2007/08 at 772 kilograms per hectare. Production is expected to decline in many countries in 2007/08. In particular, significant production declines are expected in the United States, Turkey and in the African Franc Zone. In contrast, production in Asia is expected to increase again in 2007/08 to a record of 15.5 million tons. This would represent 59% of projected world production, up from 56% in 2006/07 and 51% in 2005/06. Dr. Plastina indicated that the Secretariat's revised production estimate for 2006/07 in China (Mainland) is 8.0 million tons, and the projection for 2007/08 is 7.8 million tons. He said that world cotton mill consumption is increasingly driven by Asia. Global cotton mill use is expected to continue to increase in 2007/08, but the increase is expected to be smaller than in recent seasons. World cotton mill use is projected to increase by 3% to 27.2 million tons in 2007/08, compared to an annual growth of 6% in 2006/07 and 9% in 2004/05. Asian cotton mill use would represent 75% of world cotton mill use, up from 74% in 2006/07 and 57% in 1998/99. Despite the significant increase in world cotton mill use since 1998/99, cotton's share of the world textile market has declined steadily since 1986. The main driver of this tendency is the faster increase in production in developing countries of textiles made of chemical fibers. World cotton imports are expected to rebound by 8% to 8.9 million tons in 2007/08, driven by forecast higher Chinese imports (3.5 million tons). U.S. exports are projected to rebound to 3.7 million tons in 2007/08 and Indian exports are also expected to increase to a record of 1.1 million tons, while Brazilian exports could more than double.

Dr. Plastina explained that the Secretariat recently developed a new model to forecast the season-average Cotlook A Index. The most important variable in the new model is the stocks-to-mill use ratio in the World-less-China (Mainland). As world cotton mill consumption is forecast to increase whereas world cotton production is projected slightly down, the stocks-to-mill use ratio in the World-less-China (Mainland) is expected to decline in 2007/08, resulting in an increase in international cotton prices. Dr. Plastina said that the new ICAC price model 2007 predicts a season-average Cotlook A Index of 68 cents per pound for 2007/08, with a 95% confidence interval ranging from 61 to 76 cents per pound. He concluded his presentation by suggesting that despite the expected significant rise in cotton prices this season, plantings in many countries may not increase much in 2008/09, because cotton prices are not rising as fast as prices for corn, soybeans and wheat.

The CHAIR opened the floor for questions.

The delegate of COLOMBIA asked if the confidence interval ranging from 61 to 76 cents per pound could be narrowed and requested clarification about the stocks-to-use ratio.

Dr. Plastina answered that the interval could not be narrowed for statistical reasons due to the limitations of the data base. He said that ICAC was more transparent than other international organizations that give only the mean point of their projections without mentioning the confidence interval. Dr. Plastina explained that, for a given level of mill use, an increase in the stocks-to-ratio would translate into a decline in prices, and vice versa.

An observer from TURKEY said that current international prices were not sustainable for producers in the region

of Izmir and asked what could be done to change the trend and overcome the price distortions. The Secretary General replied that the question required extensive and would be answered separately during the meeting.

The delegate of INDIA asked what were the expectations for the market share of cotton fiber.

Dr. Plastina answered that cotton's share of the world fiber market is expected to decline further due to the faster increase in production of chemical fibers in developing countries.

The delegate from INDIA asked whether this continued loss of market share was cause for alarm for the cotton industry.

Dr. Plastina said that loss of market share is cause for alarm, and cotton producers need to develop appropriate strategies to deal with the declining market share.

The delegate from SUDAN appreciated the hard work of the Secretariat to revise the price model. However he noted that the uncertainty of the projections, about 25%, was too high for decision-makers.

The Secretary General explained that the new model has in fact a higher predictive power than the previous one. The indication of the 95% confidence interval draws attention to the fact that there is uncertainty in all projections.

The delegate of KENYA noted the contradiction between the global preference for agricultural products and declining cotton market share. She asked whether the consumer preference for synthetic fiber was linked to environmental concerns.

Dr. Palestina replied that environmental concerns were not the reason.

The CHAIR thanked Dr. Palestina for his presentation.

The CHAIR introduced Dr. Rafiq Chaudhry, Head of Technical Information Section, ICAC Secretariat, to present a report on the Costs of Cotton Production. Referring to the discussions of the Third Open Session, Dr. Chaudhry said that Syria has successfully eliminated insecticides in cotton production. Only 0.4% of the cotton area is sprayed and the average yield is about 1,300 kg of lint per hectare. Dr. Chaudhry recalled that ICAC has undertaken surveys on costs of production since the early 1980s. The survey is undertaken every three years and, in most cases, the sources of data are the ICAC's coordinating agencies. The data collected for 2006/07 from 31 countries accounting for 88% of the world cotton area show that, on average, a cotton grower spent US\$ 730 to grow and harvest one hectare of cotton. The average cost per kg of seed cotton was US\$ 0.35 in 2006/07, which is two cents higher than the average cost in the survey for 2003/04. The cost per kg of lint averaged US\$1.00 in 2006/07, one cent lower than in 2003/04. Dr. Chaudhry said that there are small differences in the cost of production of seed cotton among countries. Most differences come from economic, fixed and ginning costs. The cost of production of lint is the highest in Central and West Africa (US\$ 1.32/kg), North America (US\$ 1.17/kg) and in Asia (US\$ 0.94/kg). Central Asian countries produce cotton at the lowest cost. On average, a cotton growers spent 9 cents on planting seeds per kg of lint, 22 cents on fertilizers, 13 cents on insect control, 12 cents on weed control, 11 cents on irrigation, 15 cents on harvesting, and 19 cents on all other inputs/operations including ginning. Dr. Chaudhry concluded his presentation with the remark that complete data are not available from all participating countries, which reduces the reliability of cost comparisons.

The CHAIR thanked Dr. Chaudhry for his report.

The delegate of ARGENTINA congratulated Dr. Chaudhry for his work, considering that it is very difficult to obtain information on costs.

The delegate of SUDAN commended the speaker for his excellent presentation and asked the reason why ginning was so costly in AUSTRALIA.

Dr. Chaudhry replied that he could not answer the question.

A delegate from INDIA stated that the net income was more important than costs of production per kg, and that the cost per kg per unit of time was also relevant.

Dr. Chaudhry agreed that everybody could make their own analysis with the data of the survey.

The CHAIR introduced Mr. Rajaram Jaipuria, Chairman and Managing Director, Ginii Filaments Ltd., India, to deliver his presentation on the Outlook for Indian Supply and Use: Competitiveness of Indian Cotton. Mr. Jaipuria stated that cotton was a major crop in India. He reported that the cotton situation has changed dramatically in

recent years, from a shortage situation in 2001/02 to a surplus in 2003/04. Yield increased from 400 kg/ha in 2003/04 to over 500 kg in 2006/07. Production jumped from 3 million tons in 2003/04 to 4.76 million tons in 2006/07, 18% of the global output. India imported 0.43 million tons in 2001/02 and exported 0.94 million tons in 2006/07. India is a prominent player in the global cotton market: largest cotton area under cotton (27% of world total); second largest cotton producer (it surpassed the US); and second largest cotton exporter. Mr. Jaipuria listed the factors explaining the turnaround in productivity and quality of Indian cotton: phenomenal expansion of hybrid and Bt cotton varieties; adoption of better agronomic practices by farmers; greater application of IPM techniques and effective checks on pests and diseases; increases in irrigated areas; improvement in the quality of seeds; concerted efforts of all parties to the Technology Mission on Cotton; contract farming; efficient handling of cotton from harvesting to bale packaging; modernization of ginning and pressing factories; development of instrument testing; reduction in contamination. Mr. Jaipuria estimated that production in India will reach 5.27 million tons with exports in excess of 1 million tons. He said that Indian cotton is price competitive in the world market and that the cotton crop is attractive and remunerative for producers.

In India, sustained increase in area, yield, production, consumption and exports and prices still remaining high are assisted by the robust trends in consumption and exports. The trends in the textile and clothing industry during the current decade show that production is increasingly shifting to Asia. India has a geographical advantage to supply Asian developing markets (Bangladesh, Vietnam, Cambodia, Indonesia). To conclude his presentation, Mr. Jaipuria said that it is necessary to ensure that relevant and correct information on production, consumption, price and trade is available to all concerned. ICAC has been providing information on production, consumption and trade promptly, but not on prices. He said that New York futures are becoming less relevant as an indicator of international cotton prices as cotton trade is increasingly conducted outside the USA. Therefore there is need for an international price indicator or index that takes into account the trade outside the USA. Mr. Jaipuria said that ICAC should be the proper agency to undertake the responsibility of developing such a price monitoring system.

The CHAIR thanked Mr. Jaipuria for his presentation.

The CHAIR introduced Dr. Talat Şentürk, Acting General Director of Agricultural Production and Development, Ministry of Agriculture, Republic of Turkey, to present his report on the Outlook for Turkish Supply and Use: Competitiveness of Turkish Cotton. Dr. Şentürk welcomed the participants on behalf of the Turkish Government. He stressed the importance of cotton for the economy of Turkey. The cotton sector has an economic value of the \$24 bn, it accounts for 10% of the GNP, 23% of the manufacturing sector and 21% of employment. There are 45,000 companies in the textile and clothing sector, and 908 cotton ginneries in the country. 125,000 farmers are involved in the production of about 2.5 million tons of seed cotton, or 900,000 tons of lint. Organic cotton production reached 65,000 tons of lint. Cotton consumption has been rising to almost 1.5 million tons. Turkey had to import 750,000 tons and exported 62,000 tons of lint in 2006. Dr. Şentürk said that Aegean cotton is of top quality. He presented the four cotton producing areas of the country. He reported that Turkey had determined new objectives for 2006-2012 in order to cover cotton demand. Cotton area is expected to expand by 329,000 hectares and production to increase by 526,000 tons during that period. The development strategy of the cotton sector aims at meeting the supply deficit, reducing production costs, developing mechanized harvesting, increasing organic cotton production, expanding the use of good agricultural practices, improving research and development facilities and developing a licensed warehouse system and futures and options markets. Turkey will be in full compliance with WTO rules and, at the same time, will harmonize its rules in view of its negotiations with the EU. Dr. Şentürk concluded by saying that he is confident that with the efforts of all stakeholders in the National Cotton Council established in 2007 the market share of cotton can increase in Turkey.

The CHAIR thanked Dr. Talat Şentürk for his presentation.

The CHAIR introduced Mr. Bill Norman, National Cotton Council of America, to make a presentation on the Outlook for U.S. Supply and Use: Competitiveness of U.S. Cotton. Mr. Norman conveyed the apologies of Dr. Mark Lange for not being able to attend the Plenary Session and his best wishes for a successful meeting. He reported that USDA estimates that production in the U.S. will be down 16% in 2007/08 to 18.2 million bales, mostly due to declines in plantings. The reduction in plantings is in direct response to the market signals. However, with a carryover from the 2006 crop larger than levels of recent years, total supplies for the current marketing year will be approximately 28 million bales, similar to a year ago. The continued decline in mill use, to an estimated 4.6 million bales, leaves the U.S. cotton industry relying on exports for about 75% of its production. USDA estimates US exports at 16.7 million bales in 2007/08. As a result, US carryover stocks on July 31, 2008

would be significantly lower than the previous year. Dr. Norman presented the world supply and demand data of USDA. He noted the continued lack of accurate data on China. Dr. Norman said that the environment surrounding the development of the new U.S. farm bill has been conditioned by a number of critical factors: focus on reform, criticisms of the 2002 bill, budget pressures, competition for dollars, the Brazil WTO case, concerns about the size of payments to producers. He explained that the provisions of the new farm bill of the House of Representatives essentially maintain the structure of the 2002 farm bill with minor modifications, notably the reduction of the target price from 72.4 to 70 cents per pound. The Senate will likely propose a comprehensive package with some differences from the House version. A conference committee will then sort out differences between the 2 versions. If an agreement is reached and approved by both bodies, the President must sign the bill or veto it. Dr. Norman stated that yields in the U.S. have increased since 2003, contributing to lower costs. USDA estimates that upland cotton cost of production rose from just over 40 cents per pound in 2004 to just over 50 cents per pound by 2007. With this cost structure, US cotton can compete in the world market with any other cotton. Dr. Norman concluded his presentation by saying that the new farm policy in the US is unlikely to bring any shift in acres devoted to program crops and that any further strengthening of expected cotton prices for 2008 will keep cotton acreage at current levels. Conversely, any weakening of grain and oilseed prices for 2008 would lead to an increase in cotton plantings.

An observer from TURKEY asked why the US exported more than 70% of their production. Mr. Norman replied that exports were not increasing by choice but due to the fact that the domestic market was shrinking.

The delegate of INDIA asked if cotton area would further decrease in 2008.

Mr. Norman said that, at the current price level, the cotton area would probably be maintained.

The CHAIR thanked Dr. Norman for his presentation.

The CHAIR introduced Mr. Hussein Velioğlu, General Manager of TARIS (Dried Figs and Cotton and Oil Seeds Sales Cooperative Unions), Turkey to deliver a presentation on Cotton in Aegean Region and Taris. Mr. Velioğlu described the activities and the missions of Taris, faithful to the principles of cooperatives, with a strong focus on quality. It is the biggest cooperative union in Turkey dealing with cotton and has a history of more than 90 years. Taris supplies inputs, provides technical assistance, cash loans, and marketing services to 44 cooperatives and 46,000 cotton producers. With 250,000 tons of seed cotton, Taris accounts for 50% of the cotton production of the Aegean region, and has a total ginning capacity of 650,000 tons. In addition to the ginning industry, the Union operates an oil plant that has a capacity of 240,000 tons/year, a spinning and a weaving mill with the capacity of 19,000 tons/year, and a feed plant with the capacity of 75,000 tons/year. Mr. Velioğlu concluded by saying that Taris was among the top 20 great industrial institutions in the region and among the top 150 in Turkey.

The delegate of ARGENTINA asked a question about the value of seeds paid to producers.

Mr. Velioğlu said that the price was about 0.50 TL/kg, with a small premium for higher oil content and lower acidity.

The delegate of ARGENTINA said that in his country the quality of seeds was not factored into the price.

The CHAIR thanked Mr. Velioğlu for his presentation and adjourned the session at 1:15 pm.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

Report of the Chair of the Committee on Cotton Production Research (FIFTH OPEN SESSION/TECHNICAL SEMINAR)

8:30 hr. Thursday October 25, 2007

Dr. Oktay Gencer

It is my pleasure to present to you the report of the Committee on Cotton Production Research of the ICAC. The Committee organized a Technical Seminar on the topic “The Vision for Technology in 2025,” received a report on the World Cotton Research Conference-4 and decided the topic for the 2008 Technical Seminar.

Cotton production in 2025 will face problems related to climate change, high production costs, production technologies and political issues. The two major climatic changes that will affect cotton are a rise in temperature and higher levels of CO₂ concentration. The rise in temperature will encourage early planting, increase in pest population and pest species, insects will spread to newer areas, micro organism activities will increase resulting in higher pressure due to diseases; and poor fruit setting. Drought stress will increase. Salt concentration in soils will increase, resulting in lower uptake of micronutrients and higher emphasis for major nutrients. Rising production costs will demand higher financial resources converting cotton production into a more risky business for growers.

Environmental standards under pressure from the political sector, civil societies and consumers will become stricter by 2025. Cotton growers will be confronted with making very critical and strategic decisions. Growers will have to accommodate rational competitive approaches for balancing productivity and fiber quality. Cotton production in 2025 will have to accommodate and encourage coexistence of different forms of production systems like organic cotton, biotech cotton and fair trade cotton in addition to conventional cotton.

Breeding for new varieties could provide solutions to many problems including high costs. But, breeders must plan today for meeting the needs of spinners in 2025. It was suggested to use commercial cotton hybrids having many advantages including quick development of hybrids, vigorous seedlings, water use efficiency and higher tolerance to various types of stresses.

The current trend in the development of new technologies requires interconnectedness of various disciplines. A higher level of multidisciplinary approaches will demand better management and interpersonal skills for successful results. Public sector institutions should adjust to the changing atmosphere and revise their priorities and incentives.

Biotechnology will become an important tool for meeting the challenges in 2025 and beyond. Current research could develop varieties capable of producing more fiber, add value to cottonseed, improve tolerance to various kinds of stresses and require fewer fertilizer and insecticide applications. However, the success depends on the investment in technology and viable regulatory systems around the world.

In the next 18 years, fiber quality testing will change from stand-alone instruments to integrated units. Most cotton will be tested on rapid testing instruments and more fiber parameters like elongation, contamination, moisture, etc., will be tested. Fiber quality testing will move to earlier stages for on-line testing at gins.

The World Cotton Research Conference-4 was held in Lubbock, Texas, USA from September 10-14, 2007. 590 researchers from 37 countries attended the conference. In total, 340 papers were presented in plenary, breakout and poster sessions. The World Cotton Research Conference-5 will be held in New Delhi, India in September/October 2011.

The Committee on Cotton Production Research of the ICAC recommended that private and public sector research institutions in the Northern Hemisphere should be encouraged to make arrangements with research institutes in the Southern Hemisphere; and vice versa, for mutual testing of each others' testing materials. Such arrangements would allow two crops a year and cut short the breeding process significantly.

The Committee decided to hold the 2008 Technical Seminar on the topic 'Improving Sustainability of Cotton Production in Africa.' Papers on integrated pest management and use of cotton seed after ginning will be included in the program.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

SIXTH OPEN SESSION

9:00 hr. Friday October 26, 2007
Mr. Georges Yameogo in the Chair

The CHAIRMAN stated that biotechnology has the potential to provide solutions to many current production problems. However, a decision to adopt biotech cotton depends on production practices and specific production conditions. The issue is interesting but requires extensive debate and that is why we have this session devoted to Biotech Cotton: Situation and Solutions.

Mr. Aydin Kesen of the Izmir Mercantile Exchange, Turkey, made a presentation on the topic 'The Developments in Production and Trade of Biotech Cotton in Turkey and Traceability.' He stated that biotech cotton area is increasing every year. Biotech crops were grown on 102 million hectares, and cotton occupied 13% of the biotech area in 2006. Biotech cotton was 39% of the total cotton area in 2006. The most important factor that directs international trade is consumer preferences. Though existing products are safe and biotech cotton has many advantages in the form of lower cost, higher yields, etc., transgenic products are perceived by some to pose risks to human health, food security biological diversity and to have socio economic impacts. He said that consumers have a right to know the origin of cotton, biotech or non-biotech. Mr. Kesen stated that all cotton grown in Turkey is non-biotech, but local production is enough to meet only half of mill use. Almost 60% of the cotton imported into Turkey comes from the USA and 10% from India. India and the USA planted biotech cotton on over 90% and 50% of area in the current season, so biotech cotton is already used in Turkey. Traceability of cotton in the world is not possible but if some countries like Turkey, Greece, Spain and Egypt do not grow biotech cotton, they should be entitled to label their cotton as 100% GMO free. He suggested that his suggestion be included in the statement of the meeting.

On a question raised by the delegate of ISRAEL, Mr. Kesen replied that testing of biotech cotton is already going on in Turkey under very strict control, and if it is found suitable for some areas, in his opinion, it should be approved for that area. The primary objective is to increase yields.

Dr. Robert Tripp of the Overseas Development Institute, UK, talked about a project funded by

Oxfam and the Rockefeller Foundation on biotech cotton for resource poor farmers being implemented in China (Mainland), Colombia, India and South Africa. The project is based on the theme that yield and income implications of biotech cotton are important, but the degree to which farmers understand the technology and have control over it are real indicators about whether the new technology can reduce poverty. The project is still collecting data in the field, but a review of available literature shows that farmers in India have received increases in yields, but pesticide use has not been reduced. The experience with educated farmers who used lesser pesticides proved that new technologies combined with improved management skills could enhance the usefulness of Bt technology. Dr. Tripp also mentioned many other issues including the nature of farmers' access to information about pest control, variety choices, seed industry and extension services, if not adequately employed and utilized, could risk the long-term sustainability of Bt technology. Illegal Bt seed of unknown purity and origin, encouraged by the high cost of the technology, has affected cotton production systems, particularly in Argentina. Such a chaotic situation is a threat to further development of technological innovations. The technology fee is very low in China (Mainland), which speeded the adoption of Bt technology. The Oxfam/Rockefeller project will not make a judgment on whether biotech cotton is appropriate. Instead, the experiences with biotech cotton will be used to draw lessons about the type of support and direction required if the technology is to be used to best serve resource poor farmers. Project results will be available by the end of 2008.

In response to a question asked by the delegate of SUDAN, Dr. Tripp said that the Oxfam is not studying the pest profiles in each area, and will rely on the information already available locally. He stated that refuge requirements are not imposed in China (Mainland) and they are variably implemented in other countries.

The delegate of UGANDA stated that her government is in serious negotiations with Delta and Pine Land Company, and she asked if Dr. Tripp could give some idea about the cost of technology in various countries and whether the Oxfam/Rockefeller project is dealing with individual growers or groups of growers. The delegate supported the proposal from Turkey regarding labeling of non-biotech cotton. Dr. Tripp replied that the project would study the technology fee to growers in various countries. The project has approached growers individually and also through cooperatives, depending upon the situation in each project country.

Dr. Tripp replied to a question from the delegate of KENYA and said that secondary insects are an issue when Bt varieties are used, and there is also a fear over the development of resistance in

target pests.

In response to a question from the delegate of the USA, the Secretary General said that to his knowledge, there are no prohibitions on labeling cotton as non-GMO. He said the proposal by Mr. Kesen, supported by Uganda, needs further investigation and will be discussed in the Standing Committee.

Mr. Willem Olthof from the European Commission (EC) made a presentation on the topic 'EC Policies Regarding Biotech Cotton.' He stated that a regulatory framework has evolved over time in the EC. General food laws and the European Food Safety Authority were established in 2002, and a 'white paper' was published on regulation of GMOs. Accordingly, the three important documents were Directive 2001/18 on the deliberate release of GMO's into the environment, Regulation (EC) No. 1829/2003 and regulation on traceability and labeling of GMOs. The main elements of these regulations are an integrated approach for food and feed, centralized and transparent approval procedure with a clear time frame, clear rules on traceability and labeling and clarification of elements already on the market. Mr. Olthof described details of each component of the regulations. On the cultivation of GMO crops in European Union (EU) states, Mr. Olthof stated that 51 varieties/products are permitted for cultivation in the EU countries. The total biotech area in the EU in 2006 was 62,200 hectares in seven member states. Currently, 45 applications are in the pipeline out of which seven belong to cotton but for feed/oil use and not for production in the field. One request on cotton is in the final stages of approval. The major biotech crop planted in EU countries is maize, and most new applications are also for GM maize. Mr. Olthof said that the major challenges, in GM crops are consumer acceptance and lack of support from member states of the EU. Mr. Olthof stated that for the furtherance of biotech cotton and development cooperation, EC respects the choice of individual countries, makes sure that GMO and non-GMO cultivation can co-exist in the same environment and would like to see that a proper system is in place before an approval is granted. However, so far the EC has not provided any active support for GMO research. Mr. Olthof informed the meeting that the EC is planning to organize a conference on biotech cotton some time in the first half of the next year in one of the West African countries. The objective of the conference is to provide science-based facts on negative and positive aspects of biotech cotton. The meeting will be conducted within the framework of the EU-Africa Partnership on Cotton.

The CHAIR thanked the presenters for their efforts. Seeing no additional business, the CHAIR adjourned the meeting at 10:35 AM.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

MEETING OF THE STEERING COMMITTEE

16:00 hr. Thursday October 25, 2007
Ms Elena Cores in the Chair

The Chair called the meeting to order at 4:20 PM.

The Chair asked the Secretary General to present Working Paper I, Election of Standing Committee Officers. The executive director reported that a Nominating Committee had met on May 21, 2007 in Washington, DC. Delegates from Argentina, Burkina Faso, China (Taiwan), Egypt and Spain attended the meeting. The Secretary General reported that the Nominating Committee had nominated the current First Vice Chair, Ms. Cecilia Marincioni, Trade Advisor, Embassy of Argentina to serve as Chair, Mr. Jacob Pasgo, Chargé d'Affaires, Embassy of Burkina Faso, to serve as First Vice Chair, and Dr. Ashraf El-Rabiey, Minister Plenipotentiary, Economic & Commercial Bureau, Embassy of Egypt to serve as Second Vice Chair. He reported that the Standing Committee had endorsed the recommendations of the Nominating Committee at its 488th Meeting on May 31, 2007. Accordingly, the nominations of Ms. Marincioni, Mr. Pasgo and Dr. El-Rabiey were forwarded to the Advisory Committee for approval.

The CHAIR asked if there were comments on the recommendation of the Standing Committee.

The Delegate of BRAZIL said that his country thanked the Standing Committee officers for their important service and said that he supported the nominations.

The delegate of SOUTH AFRICA noted that he had served as Chair of the Standing Committee himself and knew each of the nominees. He said he knew they would do good jobs and that he endorsed the nominations.

The CHAIR observed that there was a consensus to approve the nominations of Ms. Cecilia Marincioni as Chair of the Standing Committee for 2007-08, Mr. Jacob Pasgo as First Vice Chair and Dr. Ashraf El-Rabiey as Second Vice Chair.

The CHAIR asked the Secretary General to present Working Paper III. The Secretary General reported that nine countries had not paid all or part of their assessments for fiscal year 2006-07, and this was a matter of concern. He noted that payments had been received recently from some governments. He thanked delegates for their support and asked representatives of countries with amounts in arrears to contact appropriate officials in their governments to urge prompt attention to the matter.

The CHAIR introduced Dr. Oktay Gencer, Chair of the Committee on Cotton Production Research. Dr. Gencer reported that the Committee on Cotton Production Research had organized a technical seminar on the topic, "The Vision for Technology in 2025," and he summarized the major findings of the seminar. He reported that the 2008 Technical Seminar will be on the topic, "Improving the Sustainability of Cotton Production in Africa." Dr. Gencer noted that the World Cotton Research Conference – 4 had been conducted in Lubbock, Texas, USA during September 2007, and he noted that the next World Cotton Research Conference will be held in New Delhi, India in September or October 2011.

The CHAIR introduced the Statement of the 66th Plenary Meeting. She noted that the Statement had been approved by the Drafting Group earlier in the day under the able leadership of the delegate of Brazil, Mr. Andrew Macdonald. She asked if there were any additional concerns about the Statement. It was noted that the Statement contained a grammatical error, and the Chair instructed the Secretary General to correct the

error. Seeing no other concerns with the Statement, the Chair found that the Statement was approved as corrected.

The CHAIR thanked delegates for the opportunity to serve as Chair of the Standing Committee. She also noted the contributions of the Secretariat, plenary meeting staff from Turkey, members of the Organizing Committee, sponsors and the interpreters for their contributions to a successful meeting.

The delegate of ARGENTINA said that he appreciated the work of the Chair and all members of the Standing Committee for their efforts. He thanked all delegates for their goodwill and commitment to the cotton industry.

Observing that there was no other business, the CHAIR adjourned the meeting at 4:45 PM.



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

CLOSING PLENARY SESSION

11:00 hr. Friday October 26, 2007
Mr. Zia Altunyaldiz in the Chair

The CHAIR recognized the delegate of BURKINA FASO to present an invitation to the 67th Plenary Meeting in 2008. The delegate thanked the host country, the Organizing Committee and the people of Turkey for their hospitality and excellent job of organization. The delegate acknowledged the work of the Secretariat and the Standing Committee, especially the Chair of the Standing Committee, Elena Cores, for their work during the year. The delegate said that Ms. Cores had inspired member countries by the initiatives of the Standing Committee during the year, including successful efforts to expand membership in the ICAC. He welcomed Kazakhstan, Kenya and Zambia as new members of the ICAC, and welcomed Benin for reactivation of membership. He congratulated Cecilia Marincioni, Jacob Pasgo and Ashraf El-Rabiey on their elections as officers of the Standing Committee for the coming year.

The delegate said that new technologies, including biotechnology, provided opportunities for increased productivity and stronger competitiveness of the cotton sector. Accordingly, he announced that the theme of the 67th Plenary Meeting would be "New Technologies for Cotton Development." The meeting will be conducted during November 17-21, 2008, and he invited all governments, delegates and observers to come to the capital city of Ouagadougou. The delegate noted that Ouagadougou is rich in crafts, art, culture and gastronomic delights, and that the city has state-of-the-art hotels and legendary hospitality. The delegate introduced a welcoming film that surveyed the scenery of Burkina Faso, the art and entertainment available in Ouagadougou, and the importance of cotton to the economy and people of the country. The film was shown to the meeting.

The CHAIR thanked the delegate of Burkina Faso for his invitation and said that he looked forward to seeing Ouagadougou himself next year.

The CHAIR thanked the Secretariat, the member countries and the representatives of international

organizations for their cooperation and support for a successful 66th Plenary Meeting and said that it had been a pleasure to host the meeting. He thanked the Undersecretariat for Foreign Trade, the Aegean Exporters' Associations and the Secretariat for their dedicated efforts to organize the meeting. He also thanked the Organizing Committee, including the Governor and Mayor of Izmir, Vistur Travel and Tourism, the interpreters and others too numerous to mention for their assistance in assuring that the meeting was successful. He also acknowledged the support of the Turkish Textile Employers' Association, the Istanbul Textile and Apparel Exporters' Association, the Union of Chambers and Commodity Exchanges of Turkey, the Izmir Chamber of Commerce, the Izmir Mercantile Exchange, and all Silver and Bronze sponsors for their support.

The CHAIR noted that the importance of the discussions within the WTO had been heavily emphasized during the meeting. He said the Initiative on Cotton raised by Benin, Burkina Faso, Chad and Mali in the WTO is a crucial element in the WTO discussions and serves as a strategic step towards fairer trade practices. He said that the dependent and vulnerable structure of many African economies obliges every WTO member to complete the Doha Round satisfactorily. He said that commitments made during the Hong Kong Ministerial Conference should be ratified soon. He said that Turkey is committed to maintaining competitiveness in the cotton, textile and clothing sectors.

The CHAIR closed his remarks by giving his best wishes to Burkina Faso as the host country for the plenary meeting next year, and he thanked all delegates for making the 66th Plenary Meeting successful.

The CHAIR recognized the delegate of BRAZIL, host of the 65th Plenary Meeting, to offer closing comments on behalf of all participants. The delegate agreed that Izmir is indeed The Pearl of the Aegean. He said that although the weather had been mixed this week, delegates had the opportunity to visit the beautiful city within an atmosphere of hospitality, magnificent social events and the friendship extended by the Turkish people. The delegate thanked the Organizing Committee, delegates, observers and spouses, the people of Izmir and the Governor and Mayor of Izmir for their combined efforts to ensure a successful meeting. He thanked the Secretariat and the Standing Committee under the leadership of Elena Cores for doing an excellent job in preparing for the meeting. He said that the good job of organization allowed delegates to maximize their opportunities to talk about the world's number one fiber, COTTON.

The delegate of UGANDA noted that the statement of Uganda had been distributed to all participants. She joined Brazil in express appreciation to Turkey, the Organizing Committee, and all participants for helping to conduct the meeting successfully. She said that delegates benefited from the discussions and the opportunity to experience the rich culture and history of Turkey. She welcomed the new members to the fraternity of cotton countries, and she thanked the staff behind the scenes, the staff in red jackets, hotel staff and interpreters for their efforts to ensure a successful meeting.

The delegate of CHINA (TAIWAN) voiced the appreciation of his delegation to the Government of Turkey and the Organizing Committee for their warm hospitality and said that arrangements for the meeting had been excellent. He said that many in his delegation had not traveled to Turkey before, but after this opportunity to experience the colorful culture and warm hospitality in Izmir, he and others in the delegation would return home as goodwill ambassadors. He noted that several members of the delegation were extending their stay in Turkey to continue sightseeing and shopping, to the benefit of the local economy. He renewed his invitation to all delegates to participate in a conference on opportunities for trade in cotton and cotton textiles scheduled for October 17, 2008 in Taipei. He issued a specific invitation to the people of Turkey to attend the conference so that the hospitality shown during the plenary meeting could be reciprocated.

The CHAIR said that it had been an enjoyable experience for Turkey to host the 66th Plenary Meeting. He wished all delegates a safe return and said that he looked forward to seeing everyone in Burkina Faso.

The CHAIR adjourned the Closing Session at 11:40 AM.