



75th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

INAUGURAL SESSION

9:00 hr. Monday, October 31, 2016

In the Chair, Mr. Hassan Iqbal, Secretary, Ministry of Textile Industry, Government of Pakistan

At the beginning of the session the national anthem of Pakistan was played followed by a recitation from the Holy Koran.

Mr. Hassan Iqbal, Secretary, Ministry of Textile Industry, Government of Pakistan presented the welcome address.

He said that it was a great pleasure to welcome all participants to the 75th plenary meeting of the International Cotton Advisory Committee of Islamabad. After the 18th constitutional amendment, the Ministry of Textile Industry had taken the administrative control of cotton-related activities. The Ministry realized that Pakistan is an important member state of ICAC and decided to host a plenary meeting and invited ICAC in 2014 with the approval of the Prime Minister of Pakistan. The government expresses enthusiasm and interest for holding this meeting.

Mr. Iqbal was personally involved in each of the details with his hard-working team to ensure the safe arrival of guests and settling them in their hotels, and they had tried their best to facilitate all arrangements at airports, hotels and at the venue. However he admitted that nothing was perfect in the material world, and felt no embarrassment in apologizing for any inconveniences caused or shortcomings. At latest count, 130 delegates are attending this plenary meeting from 25 cotton-producing or -trading countries of five continents, joined by over 270 local delegates representing academia, research, extension, growers, industry and trade bodies.

The organizers have tried to relax delegates' days by soothing evenings, cultural shows and traditional dinners. Rich heritage and diverse cultures cannot be covered in the spare time during this 4-day event, however glimpses of Islamabad and the Gandhara civilization at Taxila would be sufficient to attract participants for a detailed visit in future.

He thanked the Finance Minister and the Chief Minister for gracing this occasion and welcomed participants once again to the plenary meeting, and wished them good luck.

Mr. José Sette, Executive Director of ICAC presented welcome remarks. He thanked distinguished delegates, observers and guests for the opportunity to address this 75th Plenary Meeting of the International Cotton Advisory Committee since 1939. The International Cotton Advisory Committee was honored to hold its Plenary Meeting in Islamabad. The history of cotton is inextricably linked to the subcontinent. Some of the earliest traces of cotton cultivation and domestication have been found in the region that today is Pakistan. Pakistan's semi-arid climate is well suited to the demands of this small plant that is used to make fabrics that clothe millions of people all over the world.

So, it comes as no surprise that today cotton is Pakistan's most important crop and the backbone of its industry. Pakistan is also a major player on the world cotton scene. Its annual production averages around two million tons, making it the fourth largest producer in the world. The harvest is almost all consumed domestically by Pakistan's thriving textile industry, which employs more than 40% of the country's industrial work force and accounts for more than 50% of export earnings.

The long history and importance of cotton in Pakistan make it a natural choice to host the ICAC's Plenary Meeting. Fittingly, Pakistan took steps to become a member of the ICAC in July 1948, almost immediately after becoming an independent country. Shortly afterwards, in 1951, Pakistan hosted an ICAC Plenary Meeting for the

first and only time. Therefore, a return to Pakistan is long overdue and ICAC members enthusiastically accepted the generous offer of the Pakistani government to host the 75th edition of our annual event.

Plenary meetings of the ICAC are a forum for the discussion of international issues of importance to the world cotton industry, and provide opportunities for industry and government leaders from producing, consuming and trading countries to consult on matters of mutual concern.

ICAC members are grateful to Pakistan for hosting the most important event of the world cotton calendar and look forward to a fruitful and productive week of discussions, as well as to enjoy the warmth and hospitality of the Pakistani people.

Mr. Ishaq Dar, Minister Finance presented the keynote address. On behalf of Prime Minister and Government of Pakistan he welcomed all participants at 75th Plenary Meeting of International Cotton Advisory Committee in Islamabad, Pakistan. It was indeed a privilege for the Government to host this Plenary Meeting after 65 years. Over this period of time Pakistan had moved forward and become the fourth-largest cotton producer, third-largest cotton consumer and second-largest cotton yarn exporter in the world. Very few countries have complete cotton value chain from cotton cultivation to finished products. The majority of countries either have an upstream or downstream value chain. Pakistan is one of the few countries that have the entire textile value chain and is proud of this asset.

The Government is committed to undertake all possible measures to introduce the latest agriculture technologies and in this backdrop has already carried out important amendments in the Seed Act of 1976. Further, a Plant Breeders Right Bill would soon be placed in the Upper House of the Parliament. Moreover, the Government has already provided various facilitations to farmers, namely: direct support to smallholder farmers of rice and cotton having land less than 12.5 acres; significant reductions in the price of urea and DAP; enhancement in the targeting of agriculture credit; reductions in mark-ups of agriculture credit; a Credit Guarantee Scheme for small farmers; concessional electricity tariffs, all of which made foreign investment in Pakistan more attractive; and moreover the availability of essential raw materials had been ensured. Such steps would increase per acre yield of cotton, which has been stagnant.

Under the leadership of Prime Minister Muhammad Nawaz Shariff, the GDP growth has been 4.71%, which is the highest in the last eight years. In last three years per capita income has increased by 17% in dollar terms. Average inflation in last three years has been less than 3%, whereas previously it had been around 12%. Meanwhile, revenues have increased to 10.5% of GDP compared to 8.5% previously. The fiscal deficit has been reduced to 4.3%, compared with 8.2% three years ago. The State Bank Policy rates have been lowered, the exchange rate has stabilized and foreign reserves have increased to US\$24 billion.

The country is in process of implementing the China-Pakistan Economic Corridor (CPEC), which has been rightly pointed out by the international world as a game-changer. The CPEC would not only change the economic conditions of Pakistan but also bring prosperity to the whole region. The CPEC includes communication, industrial development, energy projects, agriculture, trade, and transfer of technology. The work is in progress and by 2018, the world would see a marked difference, especially with regard to the first target, which is cheap electricity.

Due to the recession in developed countries, exports have fallen slightly. To sustain exports, the Government has taken historic steps such as: reduction in export finance rate to historically low 3%; long-term financing loans for 3-10 years only at 5%; duty-free import of textile machinery; and importantly, five export-oriented sectors (including textiles) are zero-rated for sales tax.

The manifesto of the government is to create employment and it is expected that industrial and agriculture sectors will provide the platform to generate employment through public private partnerships. In this regard, the textile value chain based on cotton, which is the lynchpin of the economy, is a priority.

In this recession scenario only those textile-producing countries that adapt to the changing trade environment through a continuous process of restructuring and modernization, reduction of inefficiencies, development of new products and consolidation, particularly in the value-added sub-sectors, will survive. This would create volume, curb inefficiencies and reduce the cost of doing business in order to make the textile and clothing industries competitive in the global markets. Countries like Pakistan, which have a complete textile value chain, have the

comparative advantage of home grown cotton; however, at the same time, they have the responsibility to conserve resources for food security. The ICAC meeting provides platform to discuss such issues and this meeting's topic i.e. Enhancing Sustainability in Cotton Value Chain, would give policy-makers many ideas and policy guidelines.

He expressed the appreciation of the Government of Pakistan, for visitors to this beautiful country for this important 75th Plenary Meeting of the International Cotton Advisory Committee hosted by Government of Pakistan in Islamabad.

Ms. Kavita Gupta, delegate of India, the host of the 74th Plenary Meeting, presented welcoming remarks on behalf of all delegates. She thanked the organizing committee of Pakistan for hosting the 75th Plenary Meeting of the ICAC. The deliberations on the emerging dynamics in cotton and on enhancing sustainability in the cotton value chain are important in the present cotton scenario all over the world. It had been a great pleasure for India to host the 74th Plenary Meeting with deliberations around the theme "From farm to fabric: The many faces of cotton". All participants had been enriched by the excellent exchange of information and views from all participating countries. India also got an opportunity to showcase its great civilization, rich culture, history and heritage. The 75th Plenary Meeting hosted by Pakistan would surely be an equally enriching experience and would throw light on the latest issues being faced by the cotton textile industry in the world. On behalf of all delegates she welcomed all participants and wished for meaningful discussion on cotton issues, including sustaining cotton growth, emerging dynamics and reducing contamination in cotton. All these issues called for urgent attention. She thanked the organizing committee and the people of Pakistan for their hospitality.

The CHAIR introduced Ms. Claudia Fontana Tobiassen, the second vice chair of the Standing Committee to present a report on behalf of the Chair of the Standing Committee.

Ms. Fontana Tobiassen thanked the Government of the Islamic Republic of Pakistan for hosting the 75th Plenary Meeting of the ICAC and congratulated Pakistan and all members of the Organizing Committee for their hard work. The delegates on the Standing Committee appreciated the Secretariat's role in providing and disseminating precise, impartial and timely data and analysis on the cotton sector which serves as a useful resource for agencies around the world. During this Plenary, the ICAC Secretariat would be presenting its triennial publication on *Cost of Production of Raw Cotton*, as well the preliminary results of a study on inter-fiber competition. The Standing Committee also appreciated the support extended by the ICAC Secretariat towards the successful organization of the World Cotton Research Conference-6 in Brazil in May 2016. The information on government measures compiled by ICAC is an important reference and highly valued by the organization's members and other stakeholders in the cotton value chain.

Standing Committee members also welcomed the inputs provided by the various advisory bodies of the ICAC. The Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP) is now building on its report on indicators for the measurement of the sustainability of cotton production all over the world by looking at practical applications of these parameters in the field. The results of this work were awaited with interest. The Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC) continued its outstanding work in promoting the use of high volume instrument testing methods and procedures throughout the cotton value chain. The Private Sector Advisory Panel (PSAP) played a key role in keeping ICAC informed of important issues involving governments and the private sector. She thanked all members of these advisory bodies for selflessly dedicating their time to assisting ICAC.

Ms Fontana Tobiassen reported that an important challenge faced by the Standing Committee in the three years since the 72nd Plenary Meeting in Cartagena had been the establishment of the terms of accession of the European Union (EU) to the ICAC. In view of the complexity of the issues involved and the time required to discuss them in depth, the Standing Committee decided to create a Task Force on European Union Membership (TFEU) for analysis of the necessary changes to the Rules and Regulations. After the Standing Committee reached a consensus on broad principles, a Drafting Group was formed to prepare a proposal to amend the Rules and Regulations. This proposal was duly approved, first by the Standing Committee and then by ICAC members during the 74th Plenary. The approval of the new Rules and Regulations opened the way for membership of the EU. The outcome of the work the Drafting Group was the "Statement on the Accession of the EU to the ICAC", which was approved in March of the current year. These transitional arrangements have now been submitted to the European Commission, and are moving through a lengthy and complex approval system, which requires final

approval by the European Parliament. All ICAC members look forward to the active participation of the EU in the work of the ICAC in the future.

Broadening membership in the ICAC is a permanent concern of the Standing Committee. Delegates therefore received with enthusiasm the request for accession put forward by Bangladesh in July. At the 543rd meeting of the Standing Committee, delegates approved the terms of accession of Bangladesh agreeing that Bangladesh would become an ICAC member.

The Standing Committee fulfilled its customary role in approving the budget and work program of the Secretariat. With respect to budgetary matters, the Standing Committee has repeatedly stressed its concern with late payment of assessments by some ICAC member countries. The prompt payment of assessments is a precondition for the sound management of the ICAC and it is important that all Members comply with their financial obligations to the organization.

In addition, the Standing Committee considered the status of the Executive Director, whose initial mandate expires at the end of 2016. The Executive Director, Mr. José Sette, submitted a request for a two-year extension of his contract, which was considered by the Standing Committee at its 543rd and 544th meetings. After due deliberation, delegates of the Standing Committee agreed to recommend to the Plenary a two-year extension of contract for the Executive Director so that he can build on his accomplishments during his initial term in office.

During its 544th Meeting, the Standing Committee unanimously endorsed the nominations of Miss. Claudia Fontana, Minister, Embassy of India, as Chair, Ms. Claudia Fontana Tobiassen, First Secretary (Trade and Commercial Affairs), Embassy of Switzerland, as First Vice Chair and Mr. Ali Tahir, Minister (Trade), Embassy of Pakistan, as Second Vice Chair of the Standing Committee for the next year.

Ms. Fontana Tobiassen thanked all her fellow Standing Committee members in Washington for their hard work, professionalism and commitment to the ICAC during the past year. She expressed her profound gratitude to the Government of Pakistan and the Organizing Committee for the excellent arrangements made for the 75th Plenary Meeting.

The CHAIR introduced Mr. José Sette to give his report as Executive Director.

The Executive Director reported that important changes had occurred in the structure of world supply and demand. After five years of greater production than consumption, cotton output in 2015/16 fell considerably, leading to a significant reduction in world stocks, nonetheless, cotton continues to be confronted by an extremely challenging competitive environment. At the end of the 2014/15, world stocks stood at a record 22.3 million tons and the global stock-to-use ratio was 0.92, the highest level on record. Although the global stock-to-use ratio consequently fell from 0.92 in 2014/15 to 0.82 in 2015/16, world inventories continued to be at extremely high levels in historical terms. An orderly reduction of these stocks will continue to be a key factor in the healthy development of the cotton market in coming years. Meanwhile, the fall in prices in recent seasons have led to increased support of cotton sectors by governments all over the world. ICAC's report on "Production and Trade Policies Affecting the Cotton Industry" showed that government support for cotton fell to \$7.2 billion in 2015/16, down 30% from the record of \$10.6 billion established in 2014/15.

Prices had fallen considerably in the last two seasons. As a result, cotton became less competitive in comparison with competing fibers and the decline in its share of the world fiber market accelerated. Overall, 2015/16 may come to be considered a season of transition and the beginning of a long-term drawdown in stocks. However, this adjustment comes at a cost. In 2015/16, the total value of the entire cotton crop was roughly US\$33 billion, the lowest in eleven years.

Meanwhile, much remained to be done in terms of building a more positive image of cotton among consumers. The ICAC would continue to work closely with the International Forum for Cotton Promotion (IFCP) to raise awareness about existing promotion initiatives, to collaborate with national associations and to encourage increased consumer demand for cotton through domestically focused and domestically funded national cotton demand enhancement programs that can be implemented and replicated around the world. In order to adapt to a changing market, the work of the IFCP was currently being restructured, so that it can continue to provide the services required by its membership.

The ICAC considered the dissemination of information on research to be a top priority. Other activities related to production research that are organized, sponsored or otherwise supported by the ICAC include the ICAC Researcher of the Year Award and the World Cotton Research Conference. The ICAC had provided important support to the 6th World Cotton Research Conference, which was held in Goiânia, Brazil, from May 2 to 6, 2016.

In recent years, awareness of the need for sustainable practices throughout agricultural value chains has been growing. In response, ICAC members established an Expert Panel on the Social Environmental and Economic Performance of Cotton Production (SEEP) in 2006. The SEEP provided valuable support to ICAC's objective of promoting the sustainability of the world cotton sector.

Over the years, the PSAP had provided valuable inputs to the ICAC, especially in issues relating to improvements in the efficiency of the cotton trade. The PSAP served as a means for communicating the concerns of the private sector to ICAC members and enhancing the relevance of the ICAC to the cotton value chain. As a result of a recommendation made in last year's PSAP meeting, ICAC and its partners had begun an in-depth report on the competition faced by cotton from polyester. The report was expected to be concluded sometime in 2017.

The ICAC's Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC), established in 2003, is responsible for developing mechanisms to standardize High Volume Instrument (HVI) results on an international basis, so as to promote a level playing field and increase the confidence of the cotton industry in the reliability of test results. This program has been extremely successful, with more than one hundred laboratories now participating on a regular basis. The results of the Round Trials have shown significant improvements in the harmonization of results among laboratories, which gives users of HVI results even greater confidence in their consistency.

The ICAC plays a distinctive role by helping governments to create an enabling environment for the world cotton sector. Our organization fulfills its mission through four main activities: to serve as a forum for the development of policies and solutions to strengthen the cotton value chain; to enhance the transparency of the market and enable economic decisions to be taken on the basis of precise and timely data; to encourage the development and dissemination of knowledge; and to promote the sustainability of cotton.

Going forward, the success of the ICAC as a space for the discussion and development of cotton policies is closely linked to the amplitude of its membership. At this time, the terms of accession of the EU are going through the lengthy and bureaucratic process of approval within various EU bodies. He expressed his confidence that the EU will take its place among ICAC Members in the near future. In addition to the European Union, the ICAC would soon welcome another important new member: Bangladesh. The international prominence of the textile industry of Bangladesh had grown in recent years and that country has become one of the largest importers of cotton in the world. The accession of Bangladesh would make the ICAC even stronger and more representative of the world of cotton.

The Executive Director thanked to all the delegates serving on the Standing Committee, who always gave their generous support and made valuable contributions to the work of the ICAC. The Executive Director expressed his pleasure and privilege to work with the highly qualified members of the ICAC Secretariat, who are always supportive. He was gratified to collaborate with such diverse group of talented professionals who are committed to achieving the organization's objectives. The Secretariat would continue to provide the excellent services and innovative thinking that members have come to expect.

This 75th Plenary Meeting of the ICAC would examine important topics for the future of cotton, such as: reducing contamination; improving ginning practices; defining the optimum role of government in the production and trade of cotton; enhancing efficiency in the cotton value chain; making more efficient use of water in the production process; and exploring the ways in which the textile industry views cotton. Participants would also receive information from the Secretariat on the latest supply and demand outlook, as well as government support measures that affect the cotton sector. He expressed hope that the numerous observers who honored ICAC with their presence would take away useful knowledge that will help persuade those governments that are not yet part of ICAC of the benefits of membership in our organization, thereby broadening even further the influence of the organization. Membership in the ICAC was a useful and cost-effective way to integrate countries into the world cotton sector.

The Executive Director reflected back to his first participation in an ICAC Plenary, the 72nd edition, which was held in Cartagena. Now, three years later, he is proud of all that has been accomplished during this interval, especially the coming accession of the European Union and Bangladesh, which would broaden the membership of the ICAC in two of the world's most important markets for cotton. However, much remains to be done. By the end of this week, he hopes that Members will have seen fit to privilege him by extending his contract, so that all can continue to work together in order to strengthen cotton, a product that is vital to the welfare of millions of people all over the world.

The Executive Director presented recognition for the work of Dr. Rafiq Chaudhry, the head of Technical Information Section. He said that during our Plenary Meeting, we usually make the presentation of the ICAC Researcher of the Year Award. Unfortunately, this year's winner, Dr. Jack McCarty of the USA, could not be present in Pakistan. He received his award in front of a distinguished audience of his peers during the 6th World Cotton Research Conference, which had been held earlier this year in Brazil.

Despite the absence of Dr. McCarty, this plenary meeting was still a very special occasion in the life of the ICAC, because the meeting marked the retirement of one of the most productive and influential members of the Secretariat in the history of the Committee.

Dr. Rafiq Chaudhry had been Head of the Technical Information Section of the ICAC since May 1991. During his tenure, he introduced many innovations in the work of the Section. He was one of the inspirers of the World Cotton Research Conference, which is held every five years and brings together hundreds of researchers from all over the world. Rafiq helped to form four regional networks of researchers for the purposes of facilitating communications, namely the:

- Interregional Cooperative Network on Cotton for the Mediterranean and Middle East Regions;
- The Latin American Association for Cotton Research and Development;
- The Asian Cotton Research and Development Network; and
- The Southern and Eastern African Cotton Forum, in cooperation with the African Cotton Association.

Under Rafiq's leadership, each network meets once every two years and supports the development of cotton technology specific to the needs of each region. He conceived of and led the creation of the annual International Cotton Researcher of the Year award, won this year by Dr. McCarty. This award helps to raise the profile of cotton research and to encourage researchers in their efforts to improve cotton production practices.

Rafiq played an instrumental role in the formation of the International Cotton Researchers Association, which promotes international communication between cotton researchers. In addition, Dr. Chaudhry is himself the author of numerous publications on cotton, including the books "Cotton Facts" and "The Cotton Dictionary", and a large number of cotton-related articles. Rafiq expanded the ICAC Recorder, which is published every three months, and provides summaries of emerging research with full citations. The ICAC Recorder allowed researchers around the world to know what is going on in every region in every discipline of cotton science.

Rafiq also developed and improved three publications that provide great insights into world cotton production practices, namely:

- Cost of Production of Raw Cotton
- Cotton Production Practices, and
- Structure of Cotton Research, Input Supply and Transfer of Technology.

Although Mr Sette's time in the ICAC covered only a short part of his career, he also benefited from Dr Chaudry's advice and technical knowledge. He had been of valuable assistance in during his tenure as Executive Director.

Dr. Chaudhry would be leaving ICAC early next year to enjoy a well-deserved retirement. The Executive Director called him on stage with all his colleagues from the Secretariat in order to present a token of recognition of his valuable services to the International Cotton Advisory Committee over all these years.

Dr. Rafiq Chaudhry remarked that it had been a great pleasure working for the ICAC where there were no limitations on initiatives. He thanked the member governments of the ICAC for the opportunity to serve them for

26 years. The ICAC was a great organization to work for. He had two messages for the member governments to consider during this meeting or in Washington, DC. The ICAC Secretariat is composed of highly dedicated professionals/staff and Dr. Chaudhry proposed to the member governments to consider developing a career structure for employees of the ICAC. Secondly, and more importantly, he drew the attention of the member governments to the decline of membership in the ICAC. A number of countries have left in the last few years and the governments must look into this issue. According to Dr. Chaudhry, this was due to a systematic management issue in the organization and it was the responsibility of the members to address these issues and resolve them. He once again thanked the delegates for their support.

The Chair thanked all the presenters and participants and expressed his hope for a very productive discussion of the cotton issues at this 75th Plenary Meeting.

The agenda of the meeting was approved. The session was adjourned at 10:30AM.