

## Inauguration

Monday, October 23, 1995, 10:00 am  
Dr. Josefina Atienza-Salvana presiding as  
Master of Ceremonies

Dr. Salvana introduced Bishop Cornelio Dewit of the Archdiocese of Manila who gave an invocation for the meeting. In his invocation, Bishop Dewit called on participants in the Meeting to safeguard the inalienable dignity of all human persons who are part of the worldwide cotton enterprise. Following the invocation, which is a Statement of the Meeting, the QuedanCor Chorale of the Department of Agriculture sang the Philippine National Anthem.

Dr. Salvana introduced Mr. Patricio L. Lim, President of the Philippine Cotton Corporation and Vice Chairman of the 54th Plenary Meeting, who welcomed delegates and observers to the Philippines for the second time. He said he hoped the happy memories and lasting friendships from the meeting in 1980 would be renewed this week. Following his address, Mr. Lim introduced the Keynote Speaker, Roberto S. Sebastian, Secretary of Agriculture of the Philippines. Mr. Lim referred to Mr. Sebastian's experience in a number of agri-business corporations and his leadership of a Medium Term Agricultural Development Plan for the Philip-

ippines which aimed to increase people empowerment and global efficiency. Mr. Lim noted that Secretary Sebastian had been a proponent of efficiency and increased productivity throughout his professional career. Mr. Lim's remarks are a Statement of the Meeting

Secretary Sebastian in his inaugural address noted that cotton used to be exported from the Philippines even before the 16th Century. He said cotton had been identified as an appropriate crop for a quarter-million hectares in twenty-six of the country's seventy-five provinces, especially as a second crop to rice or corn. Now, as long ago, he said, cotton can bring increased incomes to Filipino farmers.

A further compelling reason for the viability of cotton production, he reported, was the ready and huge market for cotton in the Philippine textile and garment industries. He said there were fourteen integrated textile mills in the Philippines and an additional thirty-six spinning companies. Secretary Sebastian said that the textile industry employs 50,000 persons directly and the garment industry another half-million. He said Philippine cotton could supply 60% of the 70,000 tons of cotton currently being used by the textile industry in the Philippines.

The key to reaching this potential production, Secretary Sebastian noted, is the Philippine farmer, who can benefit greatly from cooperative organization. Through cooperatives, marginal farmers can become development entrepreneurs, he said.

Secretary Sebastian recognized the work of the International Cotton Advisory Committee in providing information on market conditions and research and development findings, in order to assist member countries draw maximum benefits from the crop. He said the Philippines used this information in its research programs to improve the profitability of cotton and its comparative advantage. Noting that Philippine cotton will never be a large part of world production, Secretary Sebastian said his vision was for cotton to be a mainstay in Philippine agriculture gearing toward global competitiveness.

Following Secretary Sebastian's address which is a Statement of the Meeting, Dr. Salvana adjourned the inaugural session and directed delegates and observers to the opening of exhibits on Philippine cotton and agriculture on the third floor.

## First Plenary Session

Monday, October 23, 1995, 11:00 am  
Mr. Roberto S. Sebastian in the Chair

The CHAIRMAN introduced Mr. Fumio Yawata of Japan, Chair of the Standing Committee, to deliver his report. Mr. Yawata presented a report of the activities of the Standing Committee in the period since the 53rd Plenary Meeting in Recife, Brazil, in September 1994, as required under the Rules and Regulations of the Committee. He also reviewed the relationship between the ICAC and the Common Fund for Commodities, an annual report requested by the 50th Plenary Meeting in 1990. Mr. Yawata's report is attached.

The CHAIRMAN then introduced Mr. Lawrence H. Shaw, Executive Director of the ICAC, to make a report on the activities of the Secretariat of the Committee, as required by the Rules and Regulations. In his report, Mr. Shaw reviewed the work published by the Secretariat in the last year and the activities of the Economics and Statistics staff to provide training in the use of cotton statistics and those of the Technical Information Section to encourage cooperation in research matters. Mr. Shaw's report is attached.

The CHAIRMAN asked delegates for their com-

ments. The delegate of AUSTRALIA thanked the Government of the Philippines and the Secretariat of the Committee for their preparation for the meeting, in particular for the courtesies extended by the organizers and the timely circulation of working papers by the Secretariat. His remarks are a Statement of the Meeting.

The SECRETARY-GENERAL drew the attention of delegates and observers to the display of ICAC on the Internet, which was adjacent to the Information Desk.

Following these remarks, the CHAIR adjourned the session at 11:45 am for a luncheon break before the beginning of the Second Plenary Session at 2 pm.

### ATTACHMENTS

#### Report of the Chairman of the Standing Committee

Fumio Yawata  
Japan

I would like to express the appreciation of the International Cotton Advisory Committee to the

Government of Philippines for hosting the 54th Plenary Meeting of the ICAC. The Philippines also served as host in 1980, and it is a pleasure for the Committee to be back in this delightful city. On behalf of the other members of the ICAC, I would like to thank the Department of Agriculture, the Philippine Cotton Corporation, other members of the Organizing Committee and the many persons and organizations who have extended gracious hospitality to the delegates attending the meeting.

The Philippines is not only a producer of cotton through the efforts of the Philippine Cotton Corporation and its President P. L. Lim, but a growing processor of cotton. Textile mill use of cotton in the Philippines has increased more than three times in the last ten years. It is exciting to be meeting in this vibrant part of the world cotton industry.

Before beginning the formal part of my report, I would like to extend a special welcome to the representatives of Bolivia attending this meeting. Bolivia joined the Committee in April of this year. We look forward to having you participate in our discussions of the world cotton situation and ways to develop and maintain a sound world cotton economy through interna-

tional collaboration—the functions of the International Cotton Advisory Committee.

It is the responsibility of the Chairman of the Standing Committee to report on the activities of the Standing Committee in the period since the 53rd Plenary Meeting, which ended on September 30, 1994, in Recife, Brazil. Since that time, I have served as Chair of the Standing Committee. The other officers of the Standing Committee, which you elected in Recife, Mr. Jose D. Molina of Argentina and Mr. Victoriano B. Leviste of the Philippines, have served ably with me.

The Standing Committee met six times between November 1994 and September 1995.

The Standing Committee has the responsibility under the Rules and regulations of the Committee to consider and approve a provisional agenda for this meeting, a budget for the fiscal year which began July 1, 1995, audits of financial records and the appointment of research associates. The Committee carried out these tasks in 1994/95.

Due to the early presentation of a draft budget by the Executive Director, it was possible for the Standing Committee to approve a budget and scale of assessments for 1995/96 in April, two months earlier than in 1993/94. This early approval of the budget, combined with the efficient processing of the request for funds by member countries, permitted the Committee to begin the fiscal year with adequate funds. Delegates will recall that the late approval of the budget, combined with slow payment of assessments the previous year and actions of the Standing Committee to reduce working funds to 9% of the budget, led to a shortage of working funds at the beginning of the 1994/95 fiscal period.

The Standing Committee approved a budget of \$1.2 million dollars for 1995/96, a sum which represents no real increase in spending. In order to achieve this budget in light of a number of factors leading to cost increases, it was necessary to restrict spending on salaries, travel and language services connected with the Plenary Meeting. These restrictions may lead to a decline in the quality and quantity of services provided by the Secretariat but were considered necessary if total spending was not to rise in real terms. The budget of the Committee has not increased in real terms in the last six years.

The membership of the Committee remains at 42 countries. Unfortunately, the stringencies associated with the financial crisis in Mexico at the end of 1994 led to the withdrawal of that country from the Committee on March 1, 1995. Under the Rules, 40% of the budget is shared equally and 60% apportioned according to trade in raw cotton. The 1995/96 assessment for a country with an average amount of trade is \$27,900.

The Standing Committee received and approved

the audit reports of the financial records of the Committee for 1993/94. The Standing Committee also received a special Performance Audit report and a comparability study for Secretariat salaries and benefits, both of which had been contracted for in August 1994. Actions taken as a result of these studies will be discussed at the Second Meeting of the Steering Committee.

I would also like to take the opportunity of this address to report to the Advisory Committee on the relationship between the ICAC and the Common Fund for Commodities. At the 50th Plenary Meeting in Montpellier, France, the Advisory Committee instructed the Standing Committee to keep it informed of the evolving nature of this relationship as projects are proposed for financing to the Common Fund.

During 1994/95, the Common Fund approved the financing of a project now jointly from the National Institute for Biotechnology and Genetic Engineering of Pakistan, the John Innes Centre in the United Kingdom and the Department of Plant Sciences of the University of Arizona in the USA to develop varieties of cotton resistant to the whitefly-transmitted geminiviruses which are currently responsible for the production losses due to the leaf curl virus. This project has a total cost of \$3.9 million, of which the Common Fund is contributing \$1.5 million. In addition, on July 21, the Common Fund's Consultative Committee approved the funding of a project from France and Cameroon to improve the marketability of the cotton produced in the zones affected by stickiness. It is hoped that this project, which has a total cost of \$1.9 million, of which the Common Fund has been asked to contribute \$1 million, will be approved by the Executive Board soon.

If the France-Cameroon project is approved, cotton projects with a total cost of \$20 million will have been approved since the fall of 1990 when the International Cotton Advisory Committee was designated an international commodity body. The Common Fund will have contributed \$9 million of this total. Research institutes or organizations in the following member countries of the ICAC will have received funds: Argentina, Brazil, Cameroon, Egypt, France, India, Israel, Pakistan, Paraguay, Tanzania, United Kingdom, USA, Uzbekistan and Zimbabwe. Because all projects are commodity-oriented and not country-oriented, all the member countries of ICAC will benefit from these projects, at least indirectly.

The ICAC must serve as a supervisory body in Common Fund approved projects, necessitating the investment of some staff time and expense in monitoring activities under each of the projects. It is expected that these supervisory costs will total \$15,000 in each of the two projects considered by the Common Fund in 1994/95 over the life of the projects (5 and 3 years). Costs

with regard to Common Fund activities in 1994/95 are estimated at \$43,240 including travel, the value of staff time, copying and mailing of documents, or 3.6 percent of the annual budget of the ICAC. These costs represented the same percentage of the budget in 1993/94. Since 1990, these costs have totaled \$136,000 or 2.4% of the cumulative budget total of \$5.6 million over the five years.

In closing, I would like to extend a special welcome to representatives of countries which do not yet belong to the Committee and invite their governments to join the ICAC. The ICAC welcomes all countries with an interest in cotton and looks forward to welcoming you into its ranks.

It has been my pleasure to serve as Chair of the Standing Committee in 1994/95 and I look forward to productive discussions at this 54th Plenary Meeting of the ICAC. I shall be available at the Second Meeting of the Steering Committee to answer any questions delegates may have regarding the operations of the Standing Committee in the last year.

## ATTACHMENTS

### Report of the Executive Director

Lawrence H. Shaw

It is my pleasure to report to you on the activities of the Secretariat of the Committee since the 53rd Plenary Meeting in Recife, Brazil.

At the 53rd Meeting, in addition to its regular duties under the Rules and Regulations of the Committee, the Secretariat was instructed to continue to analyze and report on government policies affecting the operation of the world cotton market, to provide information to member countries on the management of cotton price risk, including futures and options, and to conduct a study of the use of agrochemicals on cotton as a step toward assessing what cotton interests can do to address environmental concerns about cotton production. In addition, in 1993 at the 52nd Plenary Meeting, it was suggested that the Secretariat examine the possibilities of concerted action on cotton research. In the course of describing the activities of the Secretariat in the last year, I would like to report on actions taken to address these concerns of the Advisory Committee.

In 1994/95, 43% of the activity of the Secretariat was in support of its function in Economics and Statistics, in keeping the world's cotton statistics and in assessing developments in the industry including prices. Technical information activities represented 16% of the Commit-

tee's budget, and services in support of the Committee's role as a forum for discussion of matters related to cotton prices accounted for the remaining 41% of the Committee's resources.

The Committee continues to be the keeper of the world's statistics on cotton. While some national governments and private concerns report regularly on world cotton consumption and production, the Committee's work continues to be the most authoritative source of cotton information, especially as the budgets of national governments become tighter and resources given to statistics keeping and analysis become more scarce. The Secretariat of the Committee remains the only regular source of price forecasts for cotton.

Price forecasting is a risky business. Sometimes the messenger gets blamed for the news. Yet price is the one feature of a commodity market which is of constant interest to all participants. The statistics which the ICAC has collected since it established a permanent Secretariat in 1946 are clearly the fundamentals which determine price movements, at least those over a year. What the Secretariat has done since 1987 is utilize the fundamental changes in the statistical position of cotton to determine what the relationships which have prevailed in the last twenty years mean for prices.

The Secretariat began forecasting the 1994/95 season average of the Cotlook A Index, the price measure calculated daily by the private firm of Cotlook Ltd of the United Kingdom and accepted as the standard measure of world cotton prices, in May 1993. The initial forecast was 80 cents. Changes in assessments of the production and consumption of cotton and cotton trade resulted in this forecast varying from 68 cents to 93 cents. The forecast provided by the Secretariat's model at the end of the season was 93 cents, or within one cent of the average of the Cotlook A Index for the 1994/95 season, if one adjusts it to include the period from mid-May through July when it wasn't quoted by Cotlook Ltd due to a shortage of cotton being offered for sale.

The average error of the Secretariat's price estimates is certainly more than this, now gauged at 5 cents. The purpose of the estimates is not to guess the actual price average to the penny, but rather to indicate what expected changes in world cotton production and consumption, as we know them at any one point in time, will do to prices.

Price estimates for the 1995/96 season began in May 1994 at 84 cents. Revised estimates of expected production and consumption now suggest that prices will average 87 cents. As is usual, the Secretariat will continue to revise this forecast as we progress through the season, together with estimates for prices in the 1996/97 season as well.

The Economics and Statistics staff of the Secretariat will report to you later today and tomorrow on the changes likely to affect cotton prices over the coming months. The Secretariat will also take the opportunity of this gathering to consult with cotton authorities in the countries represented here to improve our understanding of the current situation.

The Secretariat has conducted three training programs in the past year on the use of current market information. In April, seventeen persons participated in the Research Associates program at a seminar in Washington D.C. In June, a marketing seminar was conducted in Tashkent, Uzbekistan, where sixty representatives of the Uzbek government and cotton interests in Azerbaijan, Tajikistan and Pakistan attended. At the invitation of the Government of India, the Secretariat also conducted a three-day seminar for thirty Indian government officials in Bombay in August.

At all three seminars, the Secretariat devoted a portion of the program to the use of instruments to manage risk in cotton operations. At the Washington Research Associate program participants had the opportunity to visit the New York Cotton Exchange and the trading operations of a major commodities firm REFCO in New York. A number of delegates to the Standing Committee and officials of the US government also accompanied the Research Associates on this trip. I would like to thank these organizations for making these visits possible. At all three programs the Secretariat discussed futures and options transactions at length with participants, using materials provided by the New York Cotton Exchange.

Participants in this meeting will also have the opportunity at the Fourth Plenary Session to hear about initiatives of the Common Fund for Commodities to assist developing countries in the use of instruments to reduce their risk in commodity dealings, about the opportunities to use the instruments of the New York Cotton Exchange and about the development of local and regional futures exchanges.

The Secretariat is mindful of the importance of information on ways to reduce cotton price risk to member countries and will continue to include it in all its work.

Government policies toward cotton continue to affect the world cotton economy. Currently, the Government of the USA is considering its agricultural policy for the next five to seven years. As soon as the outlines of any policy changes become clear, the Secretariat will report on the changes and our assessments of the impacts. The Secretariat has reported regularly on changes in the cotton support policies of the European Union, both at meetings of the Standing Committee in Washington and in *COTTON: Review of the World Situation*. The representatives of the gov-

ernments of Greece and Spain have also kept other countries informed about the changes as they have occurred.

Some of the policies instituted by some member governments to restrict cotton exports at the end of 1993, when cotton prices rose sharply, remain in effect. All representatives of cotton organizations recognize the sovereign authority of governments to make changes in their policies. However, the interests of both producers and consumers and the competitiveness of the industry will be best served if governments make all necessary efforts to honor the sanctity of legal contracts. The efficiency and progress of the cotton industry is enhanced by the ability of both producers and consumers to deal in forward contracts. Futures and options will protect the parties to the contracts from the ill effects of large changes in prices. Forward contracts, however, only work when there is assurance that both parties will perform their obligations. This assurance is a hallmark of the cotton industry and it must be maintained if producers are to receive the very highest price for their product and if consumers are to minimize their procurement costs.

New trading entities such as those in recently privatized markets should familiarize themselves with the trading rules which are maintained by cotton associations around the world to insure that they take advantage of the protections which these rules provide to both buyers and sellers of cotton.

Government policies toward agriculture and the textile industry will be changing in the next decade as a result of the Uruguay Round agreements, which have been a feature of discussions in the ICAC since the initiation of the Round in 1986. The World Trade Organization has prepared a paper on current assessments of the global effects of the agreements on textile and clothing trade which will be available for discussion later in the meeting.

The importance of being able to produce cotton at the lowest possible cost was recognized by the Committee in 1961 when it increased emphasis on the dissemination of technical information, particularly to those countries which do not have the resources to maintain a large research establishment. The importance of technical information was further emphasized by the Committee at the last meeting in the Philippines, in 1980, when the Technical Information Section of the Secretariat was established.

A new chapter in the Committee's work to promote the exchange of technical information has begun with the association of the ICAC with the Common Fund for Commodities. The Common Fund has used its resources to co-finance projects with the World Bank and cotton producing and consuming countries which will keep cotton production costs from rising and

which will help keep cotton as a livelihood for producers in a number of key cotton producing countries.

The projects, which the Chairman of the Standing Committee mentioned in his report on the relationship of the Committee to the Common Fund for Commodities earlier, are also a new chapter in the cooperation of developed and developing countries and cooperation among developing countries. The survey of current research on cotton which was published last year recognized that there was a serious lack of cooperation among member countries. Now, thanks to the Common Fund, we have had nine producing countries working together to determine the problems that face cotton producers in the next decade; we have a developed cotton producer using its knowledge to develop new environmentally friendly ways to combat key insects in a number of developing countries; we have three developing countries in a common region working together to develop a strategy to control an insect which has the potential for devastating cotton production; we have two developed countries using their specialized knowledge to assist a developing country combat effectively a disease which could easily spread to other developing countries; and we have a developed country working with a developing country to eliminate market impediments which reduce returns to cotton producers.

Cooperation to foster a sound world cotton economy is why the ICAC was established in 1939. The Common Fund has made a significant contribution in permitting the Committee to carry out this function.

The Secretariat's Technical Information Section published information to assist cotton production research on growth regulators, cotton testing methods, biological control of insects, technical issues in extra fine cotton production, insect and disease control and issues in cotton breeding. The Section has also organized the Technical Seminar on "New Sources of Genetic Resistance to Cotton Pests" which will be held later this week. The Section also has worked with the FUNDA (the Nicaraguan Foundation for Agricultural Development) to continue meetings of ALIDA (the Latin American Asso-

ciation for Cotton Research and Development). The Committee is contributing some funds to assist representatives from member countries in Latin America meet their travel costs to attend the Fifth Meeting of ALIDA this November in Managua. In addition, three surveys of technical information were conducted: On bale specifications, on agrochemicals used on cotton in response to the 53rd Plenary Meeting's instructions and the regular three-year survey on the cost of producing cotton. We will be reporting to you later in the meeting on the results of these surveys.

The Committee's Technical Information Section has also worked to explore ways in which the 52nd Plenary Meeting's concern about the lack of concerted action on cotton research can be met. The Secretariat has made a proposal to the CGIAR, the Consultative Group on International Agricultural Research, to explore ways of organizing more concerted cotton research action. While there does not seem to be widespread support among international organizations for the establishment of a new institution similar to the International Rice Research Institute here in the Philippines, which has been so successful in lowering the costs of rice production, there is an awareness of the gains to be reaped from communication among cotton researchers and coordination of their work toward common goals. The ICAC has, as you know, worked toward research cooperation on a regional basis ever since the establishment of the TIS, but limited financial resources have prevented further progress. The proposal will be brought to the attention of the Technical Advisory Committee at their next meeting later this year in Nairobi, with the goal of making recommendations to the full CGIAR at its 1996 Meeting.

The Secretariat works to insure that the Committee can effectively serve as the forum for discussion of cotton matters. The Rules and Regulations provide that the world cotton situation be discussed in the Standing Committee as well as at this Plenary Meeting. The discussion of the world cotton situation is placed on the Agenda of each meeting of the Standing Committee as the first item of business. The Secretariat stands ready to respond to the concerns of member governments by scheduling discussions on mat-

ters of importance and providing background analysis of issues. As delegates to the Standing Committee are generalists representing their governments at many fora in Washington, it is necessary for cotton authorities to bring important cotton matters to their attention. Country representatives on the Standing Committee are listed in the Directory which has been made available to all participants in this meeting.

The Committee has been strengthened by the membership of many important cotton producing countries in recent years. I look forward to welcoming many more countries to membership in the Committee and welcome all representatives of non-member countries to this meeting. Cotton is a commodity in which an organization such as ICAC serves a vital function of communicating the concerns of consumers and producers and fosters the development of trading conditions which will insure the prosperity of both. I am sure that the ICAC's future is strong. The members of the Secretariat join me in assuring you that we are committed to the fostering of the conditions which will continue the health and wealth of cotton producers, traders and textile mills and all who make a living from cotton.

We of course cannot do our job without the help and support of all of you, the cotton organizations of the world, government and private. Without your constant assistance in data collection, in helping us understand the cotton situation, in our training programs to bring knowledge of opportunities for increased efficiency and effectiveness in cotton affairs and in our efforts to resolve and find satisfactory solutions to problems which impede the workings of the industry, we would be without a prayer. We offer our sincere thanks for your cooperation in the past year and look forward to working with you in 1996.

I would also like specifically to thank you, Mr. Chairman, for your kind invitation to hold this 54th Plenary Meeting in Manila and for the efforts of the Department of Agriculture of the Philippines and the Philippine Cotton Corporation and other organizations in this country as our hosts.

## Second Plenary Session

Monday, October 23, 1995, 2:00 pm  
Mr. Joemari D. Gerochi in the Chair

The CHAIRMAN recognized Dr. Terry Townsend who presented the Secretariat's report on the outlook for cotton supply in 1995/96. Dr. Townsend indicated that slow growth of the world average yield and difficulties experienced in the largest producing countries have boosted

world cotton prices since October 1993. Based on current estimates of world cotton supply and the Secretariat's statistical model, he said, the season average of the Cotlook A Index will be 87 cents per pound in 1995/96 and 80 cents per pound in 1996/97. Dr. Townsend reported that world production was estimated at 19 million tons in 1995/96 and 20.5 million in 1996/97 and

will likely increase by 2000/01 to match consumption, currently projected to rise at an annual rate of 2% to reach 21 million tons in 2000/01. He also suggested that spread of the leaf curl virus in Pakistan and India, combined with economic difficulties in Central Asia and bollworm resistance to pesticides in China (Mainland), mean that increases in world con-

sumption may need to come from expanded area and production in countries currently accounting for less than half of world output. Dr. Townsend noted that average prices in the 1990s could be higher than in the 1980s and similar to the 76-cent per pound average of the 1970s, depending on competing crop prices, world consumption growth and net imports by China (Mainland). Dr. Townsend gave detailed data on cotton supply and disappearance by type. The report, *Outlook for World Cotton Supply in 1995/96*, was distributed as a document of the Meeting.

The CHAIRMAN recognized Mr. Carlos Valderrama who presented the Secretariat's report on world textile demand. Mr. Valderrama noted that world textile demand at the end-use level, supported by world economic growth, increased 3.4% in 1994 and was expected to expand 3% in 1995 and 2% in 1997. He said world GDP rose 3.7% in 1994 and is expected to increase at a similar rate in 1995 and 1996. He also reported that while world end-use consumption of non-cotton textile fibers recorded a 7% increase in 1994, cotton consumption declined 0.4% because of limited supplies and high prices. Mr. Valderrama projected that in 1995 declines in end-use cotton consumption in Japan, Australia, New Zealand, Eastern Europe and the former USSR will be offset by increases in developing countries and industrial countries in North America and Western Europe, resulting in 3% growth in world end-use cotton consumption in 1995 and a 2.3% increase in 1996. He suggested that cotton consumption will grow at an average annual rate of 2% during the next decade, with the world market share of cotton fluctuating between 46% and 46.3%. The report, *World Textile Demand*, was distributed as a document of the Meeting.

The CHAIRMAN recognized the delegate of PAKISTAN, who presented a country statement of Pakistan indicating the importance of cotton to the economy of the country as a major export crop accounting for 60% of the foreign exchange earnings. He gave data on targeted and actual area and production of cotton in Pakistan, which reached 8.7 million 170 kg-bales harvested from 2.65 million hectares in 1994/95, noting that area is expected to expand in 1995/96. The delegate indicated that cotton consumption in 1994/95 was estimated at 9 million bales and reported details of cotton supply and distribution during the past season. He also explained the mechanism of minimum guaranteed prices for cotton and presented data related to the performance of the textile industry in 1994/95 and 1993/94, showing growth of capacities and its utilization. The delegate described research programs conducted in Pakistan including those aimed at development of leaf curl virus resistant varieties and pest control improvement. Pakistan's country report is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of

EGYPT who extended his appreciation to the Government of the Philippines and the Philippine Cotton Corporation for hosting the meeting. The delegate reported on the progress of liberalization of the cotton marketing system in Egypt, indicating that producers were now free to sell their cotton to public enterprises, the private sector or cooperatives. He noted that producer selling prices had increased 45%, compared to last year's prices, as a result of a new system of cotton auctioning. The delegate said that the aim of his government was to retain a large part of Egypt's export market share; however, due to a delay in harvesting this season, the export policy for 1995 had not been finalized yet. His remarks and country report are included as Statements of the Meeting.

The CHAIRMAN recognized the delegate of BRAZIL who briefly reviewed the cotton situation in Brazil and also discussed his government's policies toward cotton which have begun to show positive results. He said that production may not reach the target level due to excessive rains but it will still be higher by 20% over 1994. He said total production is currently estimated at 565,200 metric tons, against estimated consumption of 850,000 tons. He reported that during the current season about 370,000 tons of cotton were imported from Argentina, Paraguay, the USA and former USSR countries. He added that from 1990 to 1994 imports were free but now they are subject to a tariff of 1% which will gradually increase to 6% by 2000. However, under Mercosur's Common External Tariff Agreement, he noted, Brazil cotton will continue to be imported free of any tariff from Brazil's partners, i.e. Argentina, Paraguay and Uruguay. He said prospects for 1995/96 were very encouraging. With only a slight increase in planted area, a 15-20% increase in production is anticipated, thus pushing production to 670,000 tons. The delegate said decreased planted area in South Brazil will be compensated for by an increase in the center west and northeast regions. For the second consecutive year, he reported, Brazil's economic growth is expected to surpass 5% per annum while the inflation rate continues to decline. He said it is expected that the inflation rate will remain below 20% in 1996 and growth will remain strong. The country report of Brazil is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of BOLIVIA, who expressed his sincere gratitude to the Government of the Philippines for hosting this Plenary Meeting and to the people of the Philippines in general for the hospitality extended to delegates. He also thanked the Chairman of the Standing Committee for his remarks welcoming Bolivia to the ICAC. He said that Bolivia has remained away from international markets despite the fact that cotton represents the most important agro-industry component in his country. In the last five years, he reported, the average increase in productivity has been

35% which has had a significant impact on the national economy. He referred to a magazine, *ADEPA—El Gran Salto Adelante*, distributed to all delegates reflecting the support given to producers for achieving set goals. He also extended an invitation to the ICAC to have a Plenary Meeting in Bolivia in 1988 or 1989, when the Committee considers it suitable. His remarks and country report are Statements of the Meeting.

The CHAIRMAN recognized the delegate of the PHILIPPINES who stated that since the 1970s, it has consistently been shown that cotton can successfully be grown in the Philippines. He said that cotton is mentioned as a very competitive crop in the Medium-term Philippine Development Plan. In line with the national development plan, he said, the Cotton Development Enhancement Program was formulated as a cooperative-based cotton industry program. The delegate informed the meeting that a community-based model at the village level has been started to strengthen the link between research and extension. Proper attention is also given to strengthen cooperatives for the sake of improving technical and managerial skills, he reported. The delegate stated that his government's interest in cotton is also evident from multi-agency and multi-level collaboration and hosting of the 54th Plenary Meeting of the ICAC. The country report of the Philippines is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of INDIA who stated that it was a privilege for him to attend and address the Plenary Meeting of the ICAC. He appreciated the efforts of the ICAC to produce useful reports, a part of which were presented. He also thanked the ICAC for its organization of a two-day seminar in Bombay which was very informative and useful for cotton people in India. He said cotton is a very important crop for India as it provides more than 70% of the raw material for the textile industry which accounts for 20% of industrial production and 38% of total exports of the country. Despite the fact that about 70% of the total area was entirely dependant on rains, he said, improved agronomic methods had resulted in an average production growth rate of about 4% per annum in the last decade. The delegate stated that, in order to bring stability in cotton production, the Government of India pursued a strategy to enhance cotton yields in rainfed areas through appropriate plant protection technologies and by bringing additional irrigated area under cotton in central and southern India. He recognized the efforts of The Cotton Corporation of India in augmenting his government's efforts to supply high quality seed and strengthen ginning facilities by offering financial incentives. He said that mill consumption of cotton was also increasing along with production, with 70 new mills starting work in the last year thus pushing mill con-

sumption to 11.5 million bales in 1994/95. The delegate also stated that India's long term export policy was based on the balance between the interests of cotton growers, textile mills and weavers in the decentralized sector, keeping India in the international market as a stable supplier of cotton. He said imports of cotton that were placed under Open General License with zero import duty during the previous season were continued during 1994/95. With a 7% increase in planted area and favorable climatic conditions, he reported, it is expected that production will be higher than in 95. The delegate also proposed enhancing the exchange of germplasm and the transfer of new technologies, particularly in the field of pest control without chemicals, among the developed and developing countries. The country report of India is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of CHINA (TAIWAN), who on behalf of his delegation thanked the Government of the Philippines and the Philippine Cotton Corporation for the excellent arrangements made for the meeting. The delegate reviewed the cotton situation in his country noting that textile exports reached US\$14 billion or 15% of Taiwan's total trade in 1994. He said that cotton spinning has played a vital role in the overall growth of the textile industry; however, the recent worldwide recession and high international raw cotton prices not only cut down the spinning capacity but also turned old equipment and low count yarn uncompetitive in the international market, with the result that ring spindles declined by about 10%. He said production of cotton yarn declined by 20% in 1994 over 1993, noting that the continuous decline in yarn production for the fourth year has seriously affected cotton imports into China (Taiwan). However, he said, exports in terms of value grew by 16% in 1994 over 1993. He concluded that the cotton industry in his country was doing its best to upgrade the image and quality of its products. He made mention of the technical research paper, "High Efficiency Cleaning System Shortens the Blowroom Line," on work done on Taiwan which he said was delivered to the ICAC Secretariat for distribution to interested participants. The delegate also informed the meeting that his government was co-sponsoring the "Taiwan Products and Technology Fair 95" in Manila from October 25-30 and invited all delegates and participants to visit the exhibition. The country report of China (Taiwan) is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of SOUTH AFRICA, who also thanked the Government of the Philippines, the Philippine Cotton Corporation and the people of the Philippines for their very warm welcome and for the excellent arrangements for the meeting. He also thanked and congratulated the Executive Director and his staff for the excellent professional services rendered during the past year as well as

arrangements for the meeting. He said that dry weather for the last four years in the southern African countries had had a serious impact on the economy in the region. He hoped that the region's current political changes would result in closer economic ties among countries in the region and reported that a Southern African Cotton Association was being formed. He anticipated a 10% increase in production during 1995/96. His remarks and the country report of South Africa are Statements of the Meeting.

The delegate of TURKEY also thanked the Government of the Philippines and congratulated the Philippine Cotton Corporation and the ICAC staff for the excellent arrangements for the meeting. He said that, with exports reaching 6.4 billion US dollars, Turkey is the sixth largest cotton producer and fifth largest supplier of textiles and clothing in the world and the second largest in Europe. With total spindles close to 5 million, he said, cotton consumption grew by 100,000 tons in 1994/95 and further growth is expected in 1995/96. During 1995/96, he reported, production is also expected to show a 20% increase due to the opening of new irrigated area in southeast Anatolia. The delegate hoped that full completion of a customs union between Turkey and the European Union, which is expected to take place at the beginning of 1996, will assist Turkish textile and clothing exports to grow without any restrictions. His remarks and the country report of Turkey are Statements of the Meeting.

The CHAIRMAN recognized the delegate of SUDAN, who also thanked the Government of the Philippines, the Philippine Cotton Corporation and the ICAC Secretariat for the excellent meeting arrangements. He said a detailed country statement had been delivered to the Secretariat and that he would just mention a few highlights of the report. He said that the liberalization policy of his government had started showing results by increasing farmers' involvement in making their own decisions. Now, he said, 50% of the Gezeira, Halfa and Rahad Boards were comprised of farmer members. Farmers, he said, own a bank which extends credit for growing cotton, and they also have a role in fixing prices and exporting cotton. The delegate informed the meeting that serious efforts were being made in Sudan to improve lint quality. He said concerted research efforts had improved productivity and, with the help of researchers, Sudan will be able to produce cotton free of contamination by 1997/98. His remarks and country report are Statements of the Meeting.

The delegate of UGANDA associated himself with the previous speakers in expressing his delegation's appreciation and gratitude to the Government of the Philippines and its people for the warm hospitality extended to delegates. He also appreciated the tireless efforts of the Executive Director and his staff. He said that cotton

production in Uganda is going through a major rehabilitation process and efforts are being made to strengthen research capabilities. He said Uganda is aiming to transfer ginning from cooperative unions to credit worthy operators. He reported that the textile industry is also going through similar reorganizational changes. His remarks and the country report of Uganda are Statements of the Meeting.

The CHAIRMAN recognized the delegate of TANZANIA who expressed his appreciation for the organization of the meeting and the work of the Secretariat. He stated that the liberalization policy aimed at creating competition at all levels had resulted in prompt payment to farmers, an 83% higher price to farmers and increased ginning capacity. He said four new gins had been constructed and four more are near completion, thus improving ginning capacity to 570,000 bales per season of 26 weeks. The delegate informed the Meeting that an input fund is being established which will be responsible for the availability of inputs at affordable prices and at the right time. He reported that cotton production in 1994/95 was lower by 28,000 bales over 1993 but said the 1995/96 crop was estimated to be close to 500,000 bales, of which 263,000 to 440,000 may be available for export. The delegate reported that lack of funding has affected cotton research but now funds are being made available from two different sources to rehabilitate cotton research in his country. The delegate said that the Tanzanian cotton industry had just entered the liberalization phase and would seek assistance from ICAC member countries to improve management of the cotton sector in the country. The country report of Tanzania is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of SPAIN who thanked the Government and people of the Philippines for the excellent organization of the meeting. He also acknowledged the quality of the ICAC Secretariat work on economics and other aspects of cotton. He said his country statement had been provided to the Secretariat for distribution and he would be available for any questions. As a result of continued drought for the fourth season, he reported, cotton production had been reduced by 30-35% and Spain had become a net importer of cotton. His remarks and the country report of Spain are Statements of the Meeting.

The CHAIRMAN recognized the delegate of ISRAEL who also thanked the Philippine Government, the ICAC Secretariat and organizers of the meeting. The delegate reported that cotton area during 1995 increased by 19%, thus reversing the downward trend since 1988. He attributed the recovery in area to higher international prices, extended facilities to 90% of the cotton area to irrigation from recycled water and better competitiveness of cotton with alter-

nate crops. He also reported that colored cotton was grown on 700 hectares during 1995/96 and 700 tons of brown and green lint would be available for high quality spinning. He also mentioned the 1993 government program to stabilize cotton prices for farmers at 75 cents and 99 cents for Acala and Pima respectively. The program was extended to 1994/95, he said, but due to high international prices there was no need to utilize it. The delegate hoped that the Common Fund project in which Israel was involved would serve as a model for international cooperation and that

the conclusions of the project would be useful for all cotton growers around the world. Israel's country report is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of GERMANY who joined previous speakers in appreciating the hospitality of the Government of the Philippines and all those involved in preparations for the Plenary Meeting of the ICAC. He also thanked the ICAC staff for their efforts in making this meeting a success. He said that Germany's country statement had been

given to the Secretariat for distribution. He made one correction in the statement. He said that the last sentence of the report on page three should be read as, "In this context, reliable international trade links and contracts are of particular importance." Germany's country report is a Statement of the Meeting.

The CHAIRMAN thanked the delegations for their cooperation and adjourned the meeting at 5:22 pm.

## Third Plenary Session

Tuesday, October 24, 1995, 8:30 am  
Mr. Joemari D. Gerochi in the Chair

The CHAIRMAN called the meeting to order and reviewed the order of the day. He invited Dr. Jingyuan Xia of China (Mainland) to make a country statement. Dr. Xia said that he was honored to attend the 54th Plenary Meeting of the ICAC. He thanked Mr. Fumio Yawata, Chairman of the Standing Committee of the ICAC, Dr. Lawrence H. Shaw and Dr. M. Rafiq Chaudhry of the ICAC for their kind invitation to attend the meeting as an observer. He also extended his sincere thanks to organizers of the meeting and the host country for their kind hospitality. He said that, because someone from China (Mainland) had not attended a meeting of the ICAC for some time, he would give a brief background of cotton production in China. In his background information he talked about production regions, varieties and production and consumption figures. He said the Yellow River Valley and Yangtze River Valley were two important cotton regions responsible for 60% and 25% of production in the country. About 13% of total production is grown in the Northwest region, he said, and 99% of total production is upland cotton. He talked about cropping systems followed in three regions, plastic mulching, variety characteristics, insect pests and transplanting and inter-cropping which are peculiar characteristics of Chinese cotton production. He said that production for the year 1995 will be 3.9 million tons possibly reaching 4.1 million tons at the most. He reported that the outbreak of cotton bollworm and verticillium wilt, unfavorable weather conditions which helped insect multiplication particularly during 1992 and 1994 and low cotton prices were responsible for a decline in area as well as production in China. He listed government policies meant to rehabilitate cotton production, including increased prices, subsidy on agrochemicals, establishment of cotton counties with support from government and special local help for cotton counties. He said it is planned to increase cotton area to 6.0 million ha and production to 5.4 million tons by 2000. He also that government plans to meet

targets include gradual opening of cotton marketing, redistribution of cotton area, establishment of larger cotton bases and increased cotton investment. On the technical side, he said it is planned to set up a seed supply system, expand pest management strategy and utilize biotechnology on a commercial scale. Dr. Xia's report is a Statement of the Meeting.

The CHAIRMAN invited Mr. Brian Moir of the FAO to make a statement. Mr. Moir thanked the Chair for the opportunity to speak and the ICAC for the opportunity to attend the meeting. He said that the ICAC and the FAO have long enjoyed a close cooperation in addition to working together on joint projects. Mr. Moir said that next year the Commodities and Trade Division of the FAO would analyze the impact of the Uruguay Round Agreement on cotton. He mentioned the FAO publication, *World Apparel Fibre Consumption Survey*, and said that a supplement had been published in 1994 and a regular full edition would be available in 1996. He said regular contacts are maintained with international organizations like the ICAC and ITMF to improve accuracy of the data. He informed participants in the meeting that copies of the publication were available from the FAO office. Mr. Moir expressed the hope that cooperation with the ICAC will further grow in the future. Mr. Moir's report is a Statement of the Meeting.

The CHAIRMAN recognized the Chairman of the CICC who observed that sanctity of contracts and maintenance of orderly trading conditions were critical issues. Mr. Garabed Kassarian reminded delegates that effects of arbitrary imposition of export restrictions by some governments were still felt in terms of litigation. He noted that CICC does not lobby against tariffs, taxes or quotas but strongly believes that when a contract is made it should be executed as agreed. He urged the ICAC to promote the notion of sanctity of contracts and also compliance with international obligations. Mr. Kassarian said that the New York futures market was unable to provide raw cotton producers and con-

sumers with satisfactory price discovery and risk shifting mechanisms. He also mentioned the contamination problem and supported the actions taken by the ITMF to keep the issue in the forefront of discussions with cotton producers. The report of CICC is a Statement of the Meeting.

Dr. Herwig Strolz of the ITMF also thanked the ICAC and the Government of the Philippines for the invitation to attend the 54th Plenary Meeting and the opportunity to present the Federation's views on matters related to cotton. He referred to the Spinners Committee, the Porto Group, the International Committee on Cotton Testing Methods and the cotton contamination survey of the ITMF. He said that the Spinners Committee, through direct contacts and visits to producing countries, had tried to define and identify the cotton quality parameters of the modern spinning industry. The International Committee on Cotton Testing Methods had brought together researchers, cotton producers, merchants, spinners and instrument manufacturers to bring harmony in cotton testing methods, he said. The Committee, comprised of over sixty experts, he said, has become the recognized global authority for the advancement of cotton testing methods. Realizing the need for standardization of HVI measurements and calibration procedures, he noted that the ITMF had established the "Porto Group" about two years ago. He hoped that it will bring better harmony of HVI test results worldwide. Dr. Strolz stressed the problem of contamination. He reported the results of the 1995 survey and stated that the ITMF data are used as reference. He said that in the last two years raw cotton has become more contaminated by foreign matter. The stickiness problem has been reduced over 1993. He said that about 20% of the total produce was now found to have some kind of stickiness as against 26 and 27% in 1993 and 1991, respectively. The amount of seed-coat fragments, however, has increased by 2%, he reported. The report of ITMF is a Statement of the Meeting.

The CHAIRMAN recognized Dr. Michel Déat of CIRAD-CA who reported on the possibilities of producing organic cotton. He said that there is a need to define properly what organic cotton is. He was of the view that under organic conditions, it is almost impossible to meet plant needs

for nutrients; similarly, insect losses are apprehended to go as high as 50-80% in addition to affecting cotton quality. Biological control may not work for intensive agriculture, he said; however, severe winters in some countries may render biological control a feasible option. He said

that the economics of producing organic cotton is very important to its continued production and noted that Bt cotton would certainly be more suitable for organic production. His report is a Statement of the Meeting.

## Fourth Plenary Session

Tuesday, October 24, 1995, 10:00  
Mr. Patricio L. Lim in the Chair

The CHAIRMAN introduced Mr. Andrei Guitchounts of the Secretariat who presented a paper on world cotton trade. The report, *World Cotton Trade*, was distributed as a document of the Meeting. Mr. Guitchounts noted that world trade in cotton reached a record 6.7 million tons during 1994/95 but that trade in 1995/96 could be lower and was estimated at 6.2 million tons. The highlights of Mr. Guitchounts' report are as follows:

The volume of world trade was boosted in 1994/95 by imports by producing countries, including China (Mainland), Pakistan, India, Turkey and Brazil, and world imports rose to 36% of world consumption.

Exports from the USA rose to 2.1 million tons, or one-third of world trade, in 1994/95. Uzbekistan was the second largest exporter with shipments of 1.15 million tons, or 18% of world trade. Exports from Uzbekistan fell in 1994/95 because of reduced production and slower ginning. Exports from Francophone Africa increased by 10% to 560,000 tons because of increased production. Exports from Australia fell to 4% of world trade in 1994/95, while exports from Argentina increased because of higher production. Exports by Sudan rose to 65,000 tons, while exports by Egypt fell by 50,000 tons to 67,000 tons due to reduced supplies and concerns about domestic availability.

China (Mainland) was the largest importing country in 1994/95, accounting for 874,000 tons, two-thirds came from the USA, 17% came from Central Asia, 4% came from Sudan and 3% came from Australia. Other cotton producing countries, Pakistan, India Turkey, Brazil and Mexico, imported more than 1 million tons during 1994/95 because production in each country was less than consumption. Non-cotton producing traditional importers in Europe and East Asia reduced imports in 1994/95 because of lower consumption and a rise in cotton prices.

China (Mainland), Mexico, India, Brazil, Pakistan and Turkey are expected to import less in 1995/96 than in 1994/95 because of higher production or the existence of sufficient stocks. Trade by China (Mainland) will be a key factor affecting the size of world trade. Cotton con-

sumption continues to grow the fastest in cotton producing countries. Consequently, increases in cotton use do not necessarily translate into increases in cotton trade.

The CHAIRMAN noted that a paper, "Textiles and Clothing Trade Following the Establishment of the World Trade Organization," had been prepared by the Textiles Division of the WTO for distribution to delegates. The paper made the following points:

The WTO was established in January 1995 to provide the legal and institutional foundation for the multilateral trading system. World trade in textiles and clothing rose to \$248 billion in 1993, 45% larger than in 1988 and 160% greater than in 1980. Trade in textiles and clothing rose at a faster rate between 1980 and 1993 than total world merchandise trade.

Between 1995 and 2005, world trade in textiles and clothing will be gradually integrated into the GATT rules. By 2005, all MFA quotas will be replaced by tariffs, which will be reduced from current levels. The integration of world trade in textiles and clothing into GATT will mean more competition among producers and increased choice for consumers. An important unknown factor is the terms under which China (Mainland), China (Taiwan), Russia and Vietnam will become members of the WTO. The report of the WTO is a Statement of the Meeting.

The CHAIRMAN recognized the delegate of JAPAN. The delegate noted that Japan attaches great importance to the sanctity of contracts and the provision of a stable supply of high quality cotton at reasonable and stable prices. The delegate noted that the interests of both producers and consumers and the competitiveness of the industry will be best served if governments make all necessary efforts to honor the sanctity of contracts. His remarks are a Statement of the Meeting.

The CHAIRMAN recognized the delegate of CHAD who thanked the Government of the Philippines for the warm welcome extended to all delegates at the Plenary Meeting. The delegate noted that two million people in Chad earn their living from the production and processing of cotton and that cotton accounts for 70% of the country's foreign exchange earnings. Consequently, he said, the Government of Chad at-

taches great importance to maintaining the international trading system and the honoring of the sanctity of contracts. He reported that the cotton industry in Chad suffered during the period of low prices in the early 1990s, and production fell to 37,000 tons of cotton. However, he said, remunerative prices in recent seasons have led to increased production, including 62,000 tons in 1994/95 and an estimated 75,000 tons in 1995/96. Because little cotton is used in Chad in the textile industry, he noted that almost all cotton is exported. The delegate said his government is seeking to improve the income of farmers by developing improved cotton varieties and by stressing the production of high-quality cotton. Producers and ginners in Chad are aware of the importance of avoiding contamination, he observed. The country report of Chad is a Statement of the Meeting.

The CHAIRMAN introduced Mr. Samuel Olowude, Chief Operations Officer, Common Fund for Commodities. Mr. Olowude presented a paper on "Fostering Improved Market Performance through Promotion of Commodity Market Development and Risk Management in Developing Countries—Common Fund Efforts in Collaboration with Other Development and Financing Institutions." The paper is a Statement of the Meeting. Mr. Olowude noted that two of the prime objectives of the Fund were to seek to improve market access and reliability of supply for primary products and the processed products thereof, bearing in mind the needs and interests of developing countries, and to improve marketing, distribution and transport systems for commodity exports of developing countries. The Fund became operational five years ago and has approved 37 projects worth over \$80 million; he said a disproportionate share of Fund projects have involved cotton because of the efforts of the ICAC Secretariat.

Mr. Olowude noted that some commodity prices had shown significant recoveries from the long slump of over 25 years, and that this trend seemed to reflect market fundamentals, an indication of an efficiently functioning market. However, some recent price movements do not seem to reflect market fundamentals, and one might attribute such unexpected price movements to irrational decisions by operators.



In a policy environment placing increased emphasis on market liberalization, there is also a concern about the distribution of benefits between the private sector and smallholders. He said there are limits to what the free market can do in the provision of inputs and the processing and distribution of products. He noted that the Fund is trying to improve market performance by looking at several areas, including the development of contracts, the defense of quality controls, methods of financing production, the construction of warehouses and methods of risk management of relevance to smallholders.

The CHAIRMAN introduced Mr. Donald Conlin, Chairman Emeritus, New York Cotton Exchange. Mr. Conlin described ways in which futures contracts and options can be used by producers. He said the New York Futures Exchange had been in operation for 125 years. Mr. Conlin made the following observations:

A futures contract is the obligation to make or take delivery of a commodity in the future at a contracted price. On the New York Futures Exchange, contracts are traded as much as 24 months in the future. The two purposes of a futures exchange are price discovery and the shifting of risk. A futures market does not make prices; it reflects prices based on the world's opinion about what cotton is worth at any moment.

In a futures market, those who are willing to bear risk (speculators) take it from those who do not wish to bear risk (hedgers). Hedgers are offsetting cash transactions, while speculators are accepting risk in the hopes of making money. Speculators are needed in a futures market to accept risk from hedgers.

An option is an agreement that gives the buyer the right, but not the obligation, to buy or sell a futures contract before an expiration date. The buyer of an option pays a premium to the seller in exchange for price protection at a specific price level, known as the strike price. The strike price is the price at which an option holder may buy or sell the underlying futures contract. Premiums are the cost of buying price insurance and are determined by open outcry.

There are three components of an option premium: Intrinsic value is the difference between the strike price and the price of the underlying futures contract; time value represents the length of time to expiration of the option; volatility represents the increase in the value of an option associated with the increase in the risk of adverse price movement faced by the writer of the option. During the last ten years, the average difference between the lowest and highest prices for each December contract has been 23 cents per pound.

He presented an example of the use of options by a producer at planting time in the northern hemisphere: A producer could have bought a December 72 cent put (a put is an option to sell a futures contract at the strike price) for 4 cents per pound on March 1, 1994. Therefore, the farmer's minimum net price would have been 68 cents per pound. Between March and November 1994, futures prices rose to 73 cents. The farmer was able to sell at 73 cents and received a net price of 69 cents per pound; the put option expired worthless because prices did not decline.

He also presented an example of the use of options by a producer at harvest time in the northern hemisphere: The farmer could have sold cotton on November 1, 1994, at 72 cents per pound and bought a July 74 cent call (a call is the right to buy a futures contract at the strike price) for 3 cents per pound. Therefore, the farmer's minimum net price would have been 69 cents (72 cents minus 3 cents). By June 16, 1995, the July futures contract had risen to \$1.13 per pound. Therefore, the value of the 74 cent call had risen to 39 cents (\$1.13 minus 74 cents). The farmer's net return would have been \$1.08 per pound (69 cents plus 39 cents).

Mr. Conlin concluded by noting that an abundance of additional information on the use of futures is available from the Exchange, brokers and cotton merchants.

The CHAIRMAN introduced Dr. Sebahattin Gazanfer, Secretary General, Aegean Exporters' Unions, Turkey, to discuss the Izmir Cotton Futures Market. Dr. Gazanfer discussed efforts to establish a futures exchange in Izmir.

The cash market in Izmir has operated for 105 years and serves the interests of buyers and sellers of lint, including traders of cotton from Central Asia. Volume on the Izmir Bourse rose to more than 300,000 tons in 1994. Cotton prices in Turkey are not well correlated with prices in New York or the Cotlook A Index, and there are practical problems associated with distance, lack of information and movement of currencies in trying to use New York Futures to hedge cotton in Turkey.

Policies of trade liberalization in Turkey have brought increased market risks, and textile mills, traders and growers feel the need to hedge cotton prices. The present status of efforts to establish the Izmir Futures Exchange is that the legal framework is being revised, rules are being prepared, contract specifications are being studied and personnel are being trained. Trading in the contract may start in May 1996. Mr. Gazanfer's paper is a Statement of the Meeting.

The CHAIRMAN opened the floor for the views of delegates or questions regarding the papers presented.

The CHAIRMAN recognized the delegate of BRAZIL. The delegate noted that the New York Futures Exchange offered a useful tool to the cotton trade and large producers. However, he said, small farmers worldwide, and particularly farmers in developing countries, are limited in their ability to use futures because of the difficulty in communication, the complexity of operations and the possibility of margin calls. The delegate suggested that the Committee invite representatives of the international cotton trade to demonstrate how, as intermediaries in the cotton chain, they could assist producers worldwide in hedging cotton without encountering such complications. The next Plenary Meeting could include a session on "The Marketing and Promotion of Cotton," which could include information on hedging and the use of HVI test data as a promotion tool. His remarks are a Statement of the Meeting.

The CHAIRMAN adjourned the session at noon.

## Fifth Plenary Session

Tuesday, October 24, 1995, 2:00 pm  
Mr. Patricio L. Lim in the Chair

The CHAIRMAN introduced Mr. Hassam Khedr, Chairman of the Principal Bank for Development and Agriculture Credit (PBDAC), to present a paper on the role of PBDAC in financing cotton cooperatives in Egypt. Mr. Khedr said that three subjects were of importance in summarizing the role of PBDAC in financing cotton

cooperatives: The strategy of PBDAC, the role of cooperatives in cotton production and marketing and the role of PBDAC in financing cotton activities. He said that the agricultural credit system in Egypt dated back to the 1930s and that PBDAC was established in 1976. He added that PBDAC currently had an annual volume of transactions of LE 10.5 billion with working capital and reserves of LE 270 million; that

Egypt's strategy for agriculture in the 1990s had underscored credit availability as an essential element of agricultural development, and that PBDAC was considered the main source of agricultural credit in the country. He said that in addition to banking activities, the strategy of PBDAC was to play a developmental role through increasing accessibility to agricultural credit and that in accordance with an agreement

of Egypt with the World Bank and the IMF, PBDAC's strategy included increasing low-cost flexible financing to the rural sector. With respect to the role of cooperatives in the cotton sector, Mr. Khedr said that Egyptian law defined four types of agricultural cooperation: Multipurpose credit, specific purposes, land reclamation, and specialized marketing, all of which worked under the umbrella of the Central Agricultural Cooperation Union. The role of these cooperative units is to develop agricultural activities and to assist in the acquisition, rental, and reclamation of land, he said. He reported that although cooperatives were regulated by the government, liberalization policies had provided for wider participation of the private sector. Cooperatives were not demand driven in Egypt so they had to be adjusted to respond to market forces and that recent liberalization of cotton trade and marketing had allowed mechanisms to work and would ensure higher prices to producers. With respect to the role of PBDAC in financing cotton activities, Mr. Khedr said that the Bank's credit policy was formulated in full accord with the liberalization policies; therefore, the Bank provided short-term loans and credit facilities to all categories of cotton producers for activities that ranged from soil preparation to picking and marketing. He said that the Bank also provided growers with planting seeds and inputs in kind or a comparable monetary value and that credit was made at 80% of the seedcotton price. Finally, Mr. Khedr invited delegates to watch a short videotape about the activities of PBDAC. The paper presented by Mr. Khedr is a Statement of the Meeting.

The CHAIRMAN noted that Mr. V. B. Patel, Chairman of AICOTTON, scheduled to present a paper on the role of cooperatives in India, could not be present at the meeting.

The CHAIRMAN introduced the next speaker, Mr. Hashim Al Ibaid, Deputy Manager of the Farmers Bank of Sudan, who presented a paper on the role of cooperatives in the cotton market in Sudan. Mr. Al Ibaid said that Sudan was a country of abundant resources with 200 million hectares of arable land and plenty of water resources; that 80% of the population in Sudan depended on the agricultural sector; and that cotton represented 95% of agricultural exports. He said that Sudan had over 75 years experience in the production and marketing of cotton of different varieties ranging from short to long staple and that Sudan until a few years ago produced 22% of the world's long staple cotton fiber. He added that in Sudan cotton was considered to have a competitive advantage and was an important source of hard currency employing about 30% of the population. He also said that problems faced by cotton producers were responsible for the decline of area dedicated to cotton from 814,000 feddans in 1986 to 416,000 in 1994. These problems, he said, comprised lack of equipment and inputs which were mainly

imported, lack of seasonal labor and an inefficient transportation system. He said that most of these problems were currently being solved and added that another factor affecting the decline in area planted to cotton was related to the food security of the country. He said that the Central Bank of Sudan promoted the increase of credit to the agricultural sector by commercial banks and that the relatively recent creation of the Farmers Bank marked the beginning of privatization in Sudan and allowed the increase of area planted to cotton in 1994 and 1995. He said that as a result of privatization, the role of farmers had been enhanced and allowed them to import inputs and be represented in the boards of directors of credit institutions through farmer's unions. He noted that the role of financing institutions now was not limited to credit, but also provided technical assistance and inputs to farmers. He added that ownership of the Cotton Company, which was responsible for cotton marketing, had been transferred to farmers and to the Farmers Bank, and, as a result, cotton which used to be marketed by the state was now marketed by the private sector. In conclusion, he said that the process of privatization in the last five years had had positive effects on prices and that finance was now directed to importation of inputs, training and other activities, and that the new role of farmers through cooperatives had increased production, improved liquidity and increased returns of cotton operations. Mr. Hashim Al Ibaid's paper is a Statement of the Meeting.

The CHAIRMAN introduced Mr. B. M. Tungaraza, General Manager of Tanzania Cotton Co-operative Apex Limited (TACOCA), to present a paper on the activities of cooperatives in Tanzania. Mr. Tungaraza said that a legislative act in 1991 allowed the reestablishment of cooperative societies and now the government's role was limited to the creation of a proper environment in which cooperatives could form and operate in the interest of members. He said that primary cooperative societies, the basic organizations, were medium in size and served farmers acting as a forum, supplying inputs, offering storage, and grading cotton; that cooperative unions were intermediate organizations covering a district or part of a district and that, when a union covered a region, it usually opened branches to facilitate communication with members. The role of cooperative unions, he said, is to facilitate the activities of primary societies and normally engage in the transportation of cotton to ginning facilities; unions also operate gins and oil mills and have other commercial activities. He added that Apex organizations were formed by cooperative unions and that some of their objectives were to collect and disseminate market information; to purchase inputs on behalf of members; to arrange storage, distribution, and marketing of cotton; and to represent members in national and international

forums. Finally, Mr. Tungaraza said that there was hope in Tanzania that cooperatives would be revitalized and enter the open market. On behalf of the Tanzania Cotton Cooperative Apex, he said he would appreciate any advice and assistance from ICAC member countries. He added that cooperatives should be encouraged to develop so that they could be used to channel the information provided by the Secretariat of ICAC. Mr. Tungaraza's paper is a Statement of the Meeting.

The CHAIRMAN introduced Mr. Cihan Altinoz, General Manager of TARIS, to present a paper on cooperative activities in Turkey. Mr. Altinoz said that the first cooperatives were established during the First World War and had developed and strengthened to become what today was TARIS, CUKOBIRLIK and ANT-BIRLIK, the three cooperative unions that deal with cotton in Turkey. He said that TARIS was a private cooperative and had been an example of farmer organization in the country as the umbrella organization of 126 agricultural sales cooperatives covering one million members, with export sales valued at US\$24 million dollars. He added that TARIS operated a credit bank, a yarn mill, an oil mill, 29 gins with 365,000 tons of combined annual capacity, and a textile factory. Finally, Mr. Altinoz said that cooperative activities provided important security to people living in rural areas of Turkey, given that harvest of cotton was carried out in a 3-month period while demand and use was carried out in a 12-month period, therefore creating the problem of storing cotton. His paper is a Statement of the Meeting.

The CHAIRMAN opened the floor for discussion and recognized the delegate of SOUTH AFRICA, who asked about the level of lending rates to farmers in Egypt and Sudan.

Mr. Khedr said that before economic reform in Egypt lending rates were about 18%, but that since 1991, lending rates had fluctuated between 12% and 15% and that normal commercial rates were offered with no special concessions to farmers. Mr. Hashim Al Ibaid said that the charge for credit operations was 3% in Sudan.

The CHAIRMAN recognized the delegate of CHAD, who said that the four speakers that talked about the role of cooperatives considered privatization a success. The delegate asked if such success was not too recent to be considered a real success. The delegate asked further what would happen if world prices fell, who would guarantee a minimum price and prices of inputs in line with cotton prices. He proposed to discuss the consequences of privatization in all their aspects the next year.

Addressing the questions asked by the delegate of Chad, Mr. Khedr said that exchange rates in Egypt were 3.14 per US dollar and that current

government policies were designed to control inflation in order to maintain exchange rates at credible levels. He added that in the past PBDAC had policies that subsidized farmers, but that now they benefitted from improvements in the macroeconomic framework and prices driven by market forces. Mr. Hashim Al Ibaid said that exchange rates in Sudan were 1.1 per US dollar and that on average the cost of cotton production in the last fifteen years was 30% of market prices so that if declines in prices were to occur the farmer would not be dramatically affected.

The CHAIRMAN recognized the delegate of UGANDA who asked how cooperatives could count on the loyalty of their members when private agents offered better prices.

Mr. Tungaraza, General Manager of TACOCA, addressing the questions asked by the delegates of Chad and Uganda, said that cooperatives provided the ginning of cotton in the shortest time and that private competitors did not follow the established rules of the market and mixed cotton varieties. In regard to sudden price declines, Mr. Tungaraza said that in his paper he mentioned specific problems that should be addressed such as a price stabilization mechanism. Mr. Hashim Al Ibaid added that another positive point of cooperatives was that members were not subject to brokers or intermediaries.

The CHAIRMAN recognized Mr. Fred Gillham, a former consultant to the World Bank, who drew attention to the potential spreading of disease and pests when shipping seed cotton from one country to another and pointed to this practice as one of the dangers of liberalization.

Following the discussion on cooperatives, the CHAIRMAN recognized Dr. Rafiq Chaudhry who presented the following Secretariat reports which had been recently completed: Bale Survey, Survey on Agrochemicals Used on Cotton, and Survey of the Cost of Production of Raw Cotton. Dr. Chaudhry reported that forty-two countries accounting for 84% of world cotton exports in 1994/95 responded to the questionnaire on bales. He noted a wide variation in bale sizes and density and indicated that while the average bale generally weighs 200-240 kgs, a number of countries had bales lighter than 200 kgs and even below 100 kgs as in China (Mainland) and Thailand, with the heaviest bales—exceeding 300 kgs—being produced in Egypt. Dr. Chaudhry stated that about one-third of exported cotton was wrapped in cotton cloth, 21% in jute and 21% in polypropylene cloth. He said cotton covering was available in most countries at additional cost.

Dr. Chaudhry displayed the following conclusions of the Bale Survey:

- There is no bale uniformity.
- Cotton, jute and polypropylene are used as coverings.
- Usually 7-8 steel straps are used as ties.
- Information shown on bales varies from country to country.
- Ink is commonly used to mark bales.
- Financial implications are a major obstacle to international standardization.

In presenting the Survey on Agrochemicals Used on Cotton, Dr. Chaudhry observed that nitrogen fertilizers were used in all countries except Uganda and that 100% of the cotton received at least some insecticide during the season. He described methods of insecticide application and shares of cotton area treated with herbicides in various countries. Dr. Chaudhry noted that while growth regulators had shown no significant effect on yield in Australia, Egypt, Pakistan, Philippines and Turkey, their use had increased during the past decade in Brazil, China (Mainland), Greece and Spain.

The following conclusions of the survey on agrochemicals were displayed:

- No change in fertilizer use, K may be adopted.
- Area sprayed has peaked.
- Pesticide use is expected to decrease.
- Pyrethroid use is expected to decrease.
- Herbicide use may be extended to more countries.
- Use of growth regulators may be reduced.

Dr. Chaudhry said the Secretariat report on the cost of production was based on data from thirty-one countries with components included from pre-sowing operations to harvesting, ginning, economic and fixed input costs at the farm. He indicated that the higher cost of production under rainfed conditions in the Delta region of the USA and Ecuador was explained by the high cost of management and interest on capital, while hand-picking in Paraguay was responsible for higher expenses. Dr. Chaudhry reported that under irrigated conditions it was most expensive to produce a kilogram of cotton in Israel and least expensive in China (Mainland). He noted that out of sixteen countries for which data were

available, cost of cotton production per hectare decreased in ten countries and rose in six countries in 1994/95, compared with 1990/91.

The three surveys conducted by the Secretariat were distributed as documents of the Plenary Meeting.

The CHAIRMAN gave the floor to the delegate of BRAZIL who stated that the Bale Survey could help to establish feasibility for a recommendation to use cotton wrapping in international trade as a way to reduce contamination of the fiber. He suggested that it was justified for the ICAC and member governments to explore the possibility of regulation aimed at this result. The delegate praised the Survey on Agrochemicals Used on Cotton as very informative and inquired if manufacturers of agrochemicals had been consulted about a time frame of introduction of less toxic products. Dr. Chaudhry said that in conducting the survey, the Secretariat in some cases received data on manufacturers of agrochemicals and their products but chose not to include them in the survey as they were not representative.

The CHAIRMAN recognized the delegate of INDIA who suggested that the conclusions of the surveys should be included in the minutes and distributed among delegates. He also noted that it could be beneficial to achieve uniform marking of all bales based on mutual consent.

The CHAIRMAN recognized Mr. Strolz of ITMF who thanked the Secretariat for conducting the Bale Survey. He noted that the Spinners Committee of ITMF was on record urging the use of cotton wrapping as a way to reduce contamination. Mr. Strolz expressed his appreciation that 30% of internationally traded cotton was already wrapped in cotton material. He also expressed his hope that more countries would follow Brazil and make cotton wrapping compulsory.

The CHAIRMAN asked Dr. Chaudhry what steps in his view could be undertaken by the Committee regarding environmental problems. Dr. Chaudhry observed that it was not possible to eliminate agrochemicals in cotton production systems without a negative effect on yields. However, he said, it is possible to reduce the use of insecticides and potential damage to the environment by using the proper technology and educating farmers to use the most effective techniques. He noted that positive trends in this respect had been already established.

The CHAIRMAN adjourned the session at 5:10 pm.

## Closing Plenary Session

Friday, October 27, 1995, 11:00 am  
Mr. Joemari D. Gerochi in the Chair

The CHAIR welcomed delegates, observers and guests to the final session of the 54th Plenary Meeting. He noted that a Statement had just been approved by the Steering Committee, which would be distributed at the close of the session. He further reported that the 55th Meeting would take place in Tashkent, Uzbekistan, the week of October 7-11, 1996.

He thanked participants in the Meeting for coming to the Philippines and hoped that they had had a good stay. He said delegates had worked hard during the Meeting to discuss the affairs of cotton. He wished them a pleasant journey home. He hoped that all would find an opportunity to return to the Philippines in the near future.

Before closing the Meeting, he asked delegates for their comments.

The delegate of EGYPT thanked the Government and people of the Philippines for their hosting of the 54th Meeting. He reviewed the discussions of the Meeting. He expressed appreciation to the Secretariat and the translators for the efforts that they made.

The delegate of CHINA (TAIWAN) thanked the Government of the Philippines for the cordial reception which his delegation had received. He congratulated the Chair for its excellent conduct of the Meeting. He gave special thanks to Lawrence Shaw and his staff for their efficiency in preparing the papers of the conference. He wished all good health and success in their business ventures.

The delegate of BOLIVIA thanked the Philippines for their hospitality at this Meeting, which was the first for Bolivia to attend as a member of the International Cotton Advisory Committee. He said the ability of the organization to find consensus on all issues should be an example to other international organizations.

The delegate of CHAD expressed appreciation for the efforts of the Government of the Philippines and the Philippine Cotton Corporation for their hospitality. He thanked the Secretary-General and his staff for their excellent organization, as well as all the people participating for the success of the Meeting.

The delegate of UZBEKISTAN extended thanks to the Government of the Philippines, the Department of Agriculture and the Philippine Cotton Corporation for their work. He said delegates should rest assured that his country would do its best to maintain the standard of this Meeting when the 55th Meeting is held in Tashkent next year. He invited all participants to come to Uzbekistan next year.

The delegate of SOUTH AFRICA thanked the people and government of the Philippines, the Philippine Cotton Corporation and the Textile Mills Association of the Philippines for their hospitality. He also gave thanks to fellow delegates for their cooperation. He wished all *mabuhay*.

The delegate of the UNITED KINGDOM said he reiterated his thanks, given on behalf of all delegates to the organizers of the Meeting which he expressed at the closing banquet on Thursday.

The delegate of IRAN said he was pleased to join other delegates in expressing appreciation to the Philippines for hosting the 54th Plenary Meeting of the ICAC. He thanked the organizers, the Executive Director and the Secretariat staff.

The delegate of the USA said he wished to associate his delegation with the comments of other delegates regarding appreciation for the efforts of the organizers and the efficiency of the Executive Director and his staff. He said his delegation will have fond memories of their visit to the Philippines.

The delegate of SUDAN expressed its appreciation to the Philippines for hosting the 54th Meeting. He thanked the Executive Director and the staff for their diligent efforts during the Meeting. He said the framework for the discussion indicated that scientific objectivity in the consideration of issues of production, trade and processing was the basis for solving the problems of cotton. Taking benefit of the experience of researchers would lead to good results, he added. He thanked delegates for accepting the invitation of Sudan to hold a Plenary Meeting later this decade.

The delegate of INDIA added his thanks to those of other delegates for the hospitality of the organizers. He said the Philippine authorities had also seen to his delegation's special dietary needs as well. He appreciated the efficiency of the ICAC Secretariat before and during the

Meeting. He said he hoped that the Secretariat would remain vigorous in the future as well. He also thanked all people participating in the Meeting.

The delegate of TANZANIA expressed his sincere appreciation for the excellent hospitality to the Government of the Philippines and for the efforts of the Executive Director and the ICAC staff, as well as those of all delegates to the Meeting for their active participation.

The delegate of PARAGUAY expressed appreciation to all who supported the Meeting for their kindness and the services which they provided, which made the stay of all in the Philippines pleasant. He said discussions in the Meeting were outstanding due to the level and subject of the information and the interaction of representatives of cotton producers, the cotton trade and the cotton textile industry, who had come with the intention of learning as much as possible. He hoped the same would be true when the Committee visited Paraguay in 1997.

The delegate of TURKEY joined in the wishes of appreciation to the Philippine hosts. He wished them every success in their efforts to improve cotton. He thanked the Executive Director for the services which the Secretariat has continued to provide to the Committee.

The delegate of COLOMBIA associated his delegation with the statements of appreciation which had been made. He noted the hospitality of the organizers which had allowed delegates to feel at home and the efficiency of the Executive Director and his staff in conducting this conference.

The delegate of PAKISTAN expressed his delegation's appreciation for the hospitality of the Philippines.

The delegate of BRAZIL added his delegation's thanks to the Philippine Government and people for welcoming participants in Manila and to the ICAC Secretariat for their work. He said he looked forward to seeing fellow delegates again in Tashkent next year.

Following these comments, the CHAIR adjourned the 54th Meeting at 12 noon.

## Steering Committee

### First Meeting

Monday, October 23, 1995, 9:00 am

The SECRETARY-GENERAL welcomed delegates to the 54th Plenary Meeting and introduced Roberto S. Sebastian, Secretary of Agriculture of the Philippines, who had been designated by the Philippine Government as Chairman of the Meeting.

The SECRETARY-GENERAL noted that Mr. Sebastian had degrees in economics and agronomy and prior to his appointment as Secretary of Agriculture in 1992 had managed agri-business corporations in the Philippines, specializing in the production and processing of bananas, pineapples, mangoes and asparagus.

Mr. Roberto S. Sebastian in the Chair

The CHAIRMAN greeted delegates and noted that the Proposed Agenda for the 54th Plenary Meeting was before them. He asked if they had any comments. Seeing none, he ruled that the Agenda for the 54th Plenary Meeting was adopted as presented and adjourned the Steering Committee until Wednesday morning, October 25, at 8:30 am.

### Second Meeting

Wednesday, October 25, 1995, 8:30 am

Mr. Patricio L. Lim in the Chair

The CHAIRMAN asked the Secretary General to present Working Paper II prepared by the Executive Director on the Work program and Budget of the Secretariat. The SECRETARY GENERAL reported the following developments: The efforts of member governments to bring their debts up to date, in a clear sign of support for the work of the Committee, have restored the working funds of the Committee. The arrears of the Committee at the end of the 1994/95 fiscal year were lower than at any time since 1987. A reduced membership in the Committee is not in any government's interest, and it is hoped that it will not be necessary to suspend the membership of any country. The SECRETARY GENERAL said he was pleased to note that Iran had informed him that it had transferred funds to pay its entire arrears. He noted that the Secretariat had been in contact with a number of governments during the year to encourage their membership in the Committee and that Bolivia had joined the Committee and Mali and Tajikistan have taken the first steps toward membership.

The SECRETARY GENERAL noted that the commodity world had changed a great deal in

the 56 years since the creation of the ICAC, and perhaps it would be advisable to develop ways for greater participation of private organizations in the ICAC. One way of doing so, he said, might be to establish a new category of membership called "Consulting Members," which would entitle private organizations to receive all publications of the ICAC, to serve on a Consulting Council which would have the opportunity to make recommendations to the Steering and Drafting Committees and to attend meetings of the Steering, Drafting and Standing Committees as observers.

The SECRETARY GENERAL said he proposed in the budget for 1994/95 charging a fee to observers and members of official delegations in excess of two at Plenary Meetings as a way to boost the revenue of the Committee. He said this matter had been referred to the Plenary Meeting for action, and noted that the background for this recommendation had been included in Working Paper X.

He said some members of the Standing Committee had proposed that the Plenary Meeting be held in Washington, DC in alternate years as a way of reducing costs. While the cost to the Committee would be lower, he noted that the cost to participants and member governments would be higher. The SECRETARY GENERAL said the Standing Committee also referred this matter, which was discussed in Working Paper IX, to the Advisory Committee.

As reported in Working Paper IV, beginning in July 1994, the SECRETARY GENERAL said, publications were restricted to member governments and priced to achieve additional income. The sales goal was not reached in 1994/95, he reported, because of modifications to the sales policy made by delegates at the Plenary Meeting in Recife. However, he said, publication sales have exceeded last year's sales in the July-September 1995 quarter, and it is expected that the 1995/96 sales target will be achieved.

The SECRETARY GENERAL noted that Working Paper V details the steps which have been taken to comply with the recommendations of the Performance Audit which had been adopted by the Standing Committee. As the auditor had determined, he said, there are few opportunities for saving money in the operation of the ICAC without reducing services and effectiveness. Unfortunately, he reported, there have been no net savings as a result of the audit, reporting that the cost of the ICAC is minuscule in comparison to the value of the trade on which it is based. Furthermore, he said, the budget of the Committee in real terms is 4% lower than in 1989/90 and 18% lower than in 1982/83, yet the Secretariat has been able to continue providing

basic services to member governments. However, he noted that some reductions in services had been necessary, particularly in the area of language services at Plenary Meetings.

The SECRETARY GENERAL noted the value of Secretariat services to member governments, including the provision of consistent forecasts of what current assessments of production and consumption mean for prices at any point in time and efforts to get funding for cotton projects at the Common Fund for Commodities. He also noted that cotton's loss of market share is a source of concern and urged the Committee to address the issue. He also urged delegates to focus their attention on the functional activities of the Secretariat—Economics and Statistics, Technical Information and fostering discussion and cooperation in the resolving of cotton problems—rather than on the mechanics of how the Secretariat does its work.

The CHAIRMAN asked delegates for their comments.

The delegate of the UNITED STATES complimented the Secretary General on Working Paper II and added that the proposal to create a new category of membership in the Committee for Consulting Members was interesting but that it would fundamentally alter the character of the ICAC as an inter-government body and therefore would require additional study. The delegate urged that the matter be referred to the Standing Committee.

The delegate of AUSTRALIA supported the comments of the delegate of the USA regarding the potential value of the Consulting Member proposal and the need to refer the matter to the Standing Committee in the expectation that a recommendation could be made to the next Plenary Meeting. The delegate said that it was important that the nature of cooperation between the ICAC and the Consultative Group on International Agricultural Research be agreed to by members of ICAC before recommendations are made to the full CGIAR meeting in 1996. The Secretariat was congratulated on its role in securing Common Fund support. The delegate confirmed the value of reports to Australia on government policies and looked forward to a paper from the Secretariat on changes in the US cotton program, as well as reports on other government policies affecting cotton. He suggested that a portion of each technical seminar in the future be devoted to a short discussion of findings and developments coming from the Common Fund projects involving cotton. His remarks and country report are Statements of the Meeting.

The delegate of BRAZIL observed that initiatives to cut costs were not unique to the ICAC

but had become the norm worldwide. The delegate endorsed efforts to continue cost cutting measures in combination with revenue enhancement efforts and encouraged the discussion of creative ideas on the subject. The delegate pointed out that Brazil often has more than two official delegates attending the Plenary Meetings and so could not support the proposal to limit the number of free copies of reports to two per delegation. He said the idea of bringing private organizations into the ICAC might enhance revenues and increase the influence of ICAC in cotton affairs; however, there was a risk that the presence of private organizations might prevent governments from making decisions on ICAC issues. Therefore, he said, careful examination of a more detailed proposal is needed. He added that the fact that cotton's share of fiber mill use had fallen to the lowest level ever is worrisome and should be considered a priority for the Committee to address and may be a reason for increased private sector participation in ICAC. His full remarks are a Statement of the Meeting.

The delegate of the UNITED KINGDOM thanked the Government of the Philippines and the Philippine Cotton Corporation for hosting the Plenary Meeting and the Secretariat for the timely preparation of documents, which demonstrated how well the ICAC serves the cotton community. The delegate supported the proposal to refer the issue of Consulting Membership to the Standing Committee for further study. The delegate opposed the proposal to limit the distribution of documents for free to just two delegates per country because the action might inhibit attendance at meetings.

The delegate of UGANDA stated that the right of member states to extend invitations to host Plenary Meetings of the ICAC should not be curtailed in any way, and he supported the status quo. He suggested that in years when no invitation was received, the Plenary Meeting would automatically be held in Washington DC. He said members benefit from the opportunity to see and learn about events in other countries through participation in Plenary Meetings. The delegate did not support the idea of the Standing Committee assuming the responsibility of the Advisory Committee in alternate years as this step would place small developing countries with small missions in Washington in the position of not being adequately represented. His full remarks are a Statement of the Meeting.

The delegate of the UK supported the statement of Uganda regarding the location of Plenary Meetings.

The delegate of SOUTH AFRICA thanked the Standing Committee and the Secretariat for their excellent work in controlling the finances of the Committee. The delegate added that the time had come to find a balance between the reductionary

approach and a more expansionary approach. He suggested that the emphasis of discussions in the Standing Committee should be on growing the organization and enhancing the finances of the Committee.

The delegate of SUDAN supported the proposal of the delegate of Uganda to maintain the practice of accepting invitations to host Plenary Meetings from different countries each year, with the understanding that the Committee might meet in the USA once every five years. The delegate extended an invitation to the Committee to meet in Sudan in 1998 or 1999. Facilities to hold the Plenary Meeting in Sudan will be in place by 1998. The delegate asked the Standing Committee to circulate material to all members regarding the work being financed by the Common Fund. The delegate said that Sudan did not support the proposal to increase subscriptions for member countries or to charge fees for more than two copies of publications at Plenary Meetings. He suggested that the Committee change the present formula of determining assessments to base the formula on the quantity of cotton produced rather than the quantity traded. His full remarks are a Statement of the Meeting.

The delegate of BELGIUM noted the improved financial condition of the ICAC. The delegate cautioned against overhasty conclusions because the financial improvement was only recently reached and may be temporary. The delegate urged the Committee neither to reject nor to approve the proposal to hold every other Plenary Meeting in Washington, but instead to wait a year to assess the finances of the Committee.

The delegate of CHAD supported the suggestion that the proposal to establish a consulting member category of membership be referred to the Standing Committee for study. The delegate pointed out that the purpose of the ICAC was to foster communication but that goal was being undermined by cost-saving efforts. He argued that all documents should be translated into the working languages of the Plenary Meeting so that all delegates could participate in discussions.

The delegate of INDIA expressed appreciation to those countries who had made progress in becoming current in their payment of assessments to the Committee. The delegate did not support the suspension of membership of countries in arrears, but did feel that countries who pay their assessments should be distinguished from those who do not. The delegate expressed support for the idea of increasing private sector participation in the Committee and urged that the matter receive further study, with the understanding that any final decision would have to be made by the Plenary Meeting and not the Standing Committee. The delegate expressed support for the proposal to charge a registration fee at Plenary Meetings but suggested that the number

of delegates registered for free be increased to four or so. The delegate said that he had no comment on the proposed registration fee of \$350. He said that the present system of holding Plenary Meetings in different countries has merit. The delegate agreed that members should concentrate on issues related to cotton and not on matters related to management; he urged the Executive Director to continue to work to reduce costs.

The delegate of COLOMBIA thanked the Government of the Philippines for their hospitality. The delegate noted the value of the information on cotton provided to Colombia by the Secretariat. The delegate stated that the work of the Secretariat helps to level the playing field for small countries in competition with developed countries in receiving information. The delegate felt that too much emphasis had been placed on reducing costs and too little on improving services. The delegate agreed with the delegate from Chad that reducing translation services inhibits participation in the Plenary Meeting and said that there had been problems with the Spanish translation at this meeting because the translator was not familiar with terms used in economics and the cotton industry. The delegate noted that it is a poorly thought out economy to have people travel to the meeting from all over the world and then not be able to participate fully in discussions. The delegate called for more emphasis to be placed on raising revenue and less on how to reduce costs. He stated that Colombia will gladly pay for better services if it meant better communication.

The delegate of FRANCE supported the comments of the delegates of Chad and Colombia regarding the importance of language services at the Plenary Meeting. The delegate did not object to the proposal to hold the Plenary Meeting in Washington DC every other year, provided no invitation was received from another country.

The delegate of EGYPT expressed support for the current practice of rotating the location of Plenary Meetings based on invitations received from members. He supported the proposal to charge a registration fee to observers and representatives of international organizations. The delegate expressed support for the proposal to increase private sector participation in the Committee and urged that the matter be referred to the Standing Committee for study, provided that the Plenary Meeting make a final decision. The delegate agreed that language services are extremely important and urged that all publications be made available in all languages.

The delegate of GERMANY expressed skepticism that persons in the private sector would be interested in a Consulting Membership, but he

agreed that the issue should be studied by the Standing Committee. The delegate was concerned that a registration fee might reduce participation in Plenary Meetings and advocated increasing the number of "free" delegates to 4 or 5 as suggested by the delegate of India. The delegate felt that holding alternate Plenary Meetings in Washington would not result in real savings and should be considered only if no other country offered to host a meeting.

The delegate of TURKEY agreed that the proposal to create a Consulting Council should be studied by the Standing Committee. He expressed concern that creating such a body in an intergovernmental organization might lead to conflicting ideas. The delegate expressed support for the present practice of accepting invitations to host the Plenary Meeting from different countries each year.

The delegate of SPAIN agreed with countries expressing the view that priority should be given to services (communication) and not to reducing costs. The deficiency in the provision of language services was evident at this Plenary Meeting. The delegate agreed that Plenary Meetings should be held in countries willing to serve as hosts and that the proposal to hold every other meeting in Washington is not necessary. The delegate stated that the proposal to include private members in the Committee should be discussed thoroughly and that the best way to do this is to refer the matter to the Standing Committee with a future Plenary Meeting making a decision on the proposal.

The delegate of BOLIVIA supported the delegates of Chad, Colombia and Spain in stating that communication services are more important than reduced costs. He said this meeting is the first for Bolivia as a member of the Committee, and Bolivia will not be able to participate actively in the affairs of the ICAC if translation services are not improved. The delegate stated that he does not support the proposal to charge a registration fee to delegations composed of more than two members.

The delegate of UZBEKISTAN supported other delegates who urged that language services be fully maintained. The delegate opposed the proposal to hold the Plenary Meeting in Washington every other year as having the meeting in different locations helped to foster better communication and gave a boost to the local cotton sector. The delegate opposed the proposal to charge a registration fee at Plenary Meetings because such a fee would limit participation. The delegate supported the suggestion to refer the proposal to establish a Consulting Council to the Standing Committee for further study but urged that the intergovernmental nature of the ICAC be confirmed. The delegate stated that the Government of Uzbekistan looked forward to hosting the 55th Plenary Meeting in Tashkent during

the week of October 7, 1996. His full remarks are a Statement of the Meeting.

The delegate of PAKISTAN suggested that, if there were any financial difficulties, the Standing Committee should look at the possibility of minimizing the strength of staff of the ICAC in Washington and its traveling and daily allowances. The delegate suggested that ICAC meetings continue to be held in countries from whom invitations are received. He thanked the Government of the Philippines and the Philippine Cotton Corporation for hosting the Plenary Meeting and making excellent arrangements. He added that at meetings he looks forward to being able to visit cotton producing areas to gain a better understanding of developments and problems.

The delegate of the PHILIPPINES stated that the proposal for greater private sector participation in the Committee is interesting and noteworthy and should be pursued. He supported the recommendation to refer the matter to the Standing Committee, with the understanding that a recommendation would be made to the Advisory Committee. The delegate supported the recommendation of the Standing Committee to set the Executive Director's salary at UN Grade D-1. The delegate supported the recommendation of the Working Group that the salaries of the rest of the Secretariat also be based on the UN scale and that the staff regulations be revised to reflect the changes in salary practice. The delegate expressed support for the current practice of holding Plenary Meetings at the invitation of member countries. The delegate suggested that the Secretariat consult with the host country for each Plenary Meeting as to whether a registration fee would be appropriate. His full remarks are a Statement of the Meeting.

The CHAIRMAN observed that eleven countries had supported the suggestions that the proposals to create a Consultative Council and to charge a registration fee for observers and delegates in excess of two be referred to the Standing Committee, where more detailed proposals could be considered. The CHAIRMAN found a consensus on these two issues.

The CHAIRMAN introduced Mr. Fumio Yawata of Japan to report on the recommendations of the Standing Committee. Mr. Yawata referred to Working Paper VI and reported that he had served as chairman of a nominating committee which met on July 6, 1995 in Washington. He said the Nominating Committee had recommended to the Standing Committee that Mr. Molina of Argentina be nominated as Chairman, Mr. Leviste of the Philippines be nominated as First Vice Chair and that Mr. Lima-Campos of Brazil be elected as Second Vice Chair. Mr. Yawata reported that the Standing Committee had accepted the recommendations of the Nominating Committee and proposed the slate of officers to the 54th Plenary Meeting. Mr. Yawata

also referred to Working Paper VII on the Salary of the Executive Director. Mr. Yawata reported that it was the recommendation of the Standing Committee that the salary for the position of Executive Director of the ICAC be set at UN grade D-1 adjusted for Washington DC; that the retirement contribution for the position of Executive Director be computed at the UN grade and Pensionable Remuneration scale for UN grade D-1; that there be no reduction in the level of salary and retirement contribution for the incumbent Executive Director; that the current salary and retirement contribution, if above the current UN levels, be frozen until parity is reached; and that within-grade step increases be consistent with the UN system in timing and amount and be approved by the Standing Committee.

The CHAIRMAN asked delegates for comments regarding the proposed slate of officers.

The delegates of the USA and INDIA stated their support for the slate of officers proposed by the Standing Committee.

The CHAIRMAN observed that there was no opposition to the election of the slate of officers and declared that Mr. Molina had been elected Chairman, Mr. Leviste First Vice Chair, and Mr. Lima-Campos Second Vice Chair.

The CHAIRMAN asked delegates for comments about the salary of the position of Executive Director.

The delegate of the UNITED STATES said that the United States supports the recommendation of the Standing Committee with regard to salary and retirement benefits of the Executive Director. He stated that the US believes that establishing salary and benefits in accordance with a UN scale is appropriate for an international organization and that setting this remuneration at the D-1 level is consistent with other international organizations of like size and functions. The US delegate observed that executive heads of other international organizations who are assigned a higher grade are generally managing a larger staff, a larger budget and a more complex set of responsibilities including supply management. The US delegate stated that he wished to make clear the Standing Committee rejected the Wyatt study because comparison was made with salaries of the World Bank—an organization which the Standing Committee had determined would not be an appropriate comparator at the time the study was commissioned. He noted that the D-1 UN salary scale for employees with dependents adjusted for the Washington, D.C. locale currently ranges from \$79,518 at the lowest step to \$91,355 at the highest step of that grade. The salary is tax free. He said that this means the highest step of D-1 grade is equivalent to a taxable salary in the Washington D.C. area of nearly \$140,000—more than the salary of a

U.S. cabinet secretary. He noted that the 1995 salary of the Executive Director net of taxes is considerably higher than the top step of a D-1 with dependents. He stated that the Standing Committee did not propose to reduce this salary—although it is higher than that received by heads of comparable international organizations—but rather to freeze compensation at that level until parity with the highest step of the D-1 range is reached.

The delegate of the US explained the following: The UN uses a lower base for calculating retirement benefits. For a D-1 top step with dependents, this amount currently is \$126,022. The base currently used for calculating retirement benefits of the Executive Director is \$184,268. Under the UN system, the employer (the UN) contributes 15.8% of the base for calculating pension. Under the ICAC system, the employer contributes 14.8% but on the higher base. The US delegate stated his belief that there is no need to amend the Rules and Regulations to adhere to a UN scale. He observed the Committee is, after all, simply making a decision on the Executive Director's compensation as provided for under the Rules. He noted, however, that the Advisory Committee may wish to amend the rules to make explicit that salary and pension benefits of the Executive Director are to be commensurate with the D-1 level of the UN scale.

The delegate of FRANCE supported the recommendation of the Standing Committee, stating that the recommendation is balanced and aligns the salary of the Executive Director with those of like organizations and does not penalize the current Executive Director, whose evaluations are universally positive.

The delegate of INDIA found the recommendation acceptable.

The delegate of GERMANY supported the views of the USA and France.

The delegate of EGYPT agreed that UN grade D-1 is appropriate and supported the recommendation of the Standing Committee.

The delegate of the UNITED KINGDOM supported the recommendation to link the Executive Director's salary to the UN grade D-1 scale, after three years of discussion involving several hundred people.

The delegate of SOUTH AFRICA said he could not agree with the recommendation of the Standing Committee. He stated that the principle of linking the ICAC to the UN pay system is not appropriate because of the different characteristics of the two organizations. The UN is large and bureaucratic and the ICAC is small and flexible. The delegate stated that the Wyatt study should have been used as a guideline, and he suggested that the Standing Committee be asked to reconsider its recommendation.

The delegates of FRANCE, BRAZIL, BELGIUM and the PHILIPPINES expressed support for adopting the recommendation of the Standing Committee.

The CHAIRMAN stated that he found the expressions of support for the Standing Committee recommendation as the consensus of the Committee.

The CHAIRMAN introduced Mr. Fumio Yawata of Japan, Chairman of the Standing Committee, to report on Working Paper VIII, Salary Determination for Secretariat Staff.

Mr. Yawata reported that a working group had met in Washington on June 20, 1995 and had recommended to the Standing Committee that the salaries for subordinate staff be set at the UN grades for positions of commensurate responsibility; that the retirement contributions for subordinate positions be calculated at the UN rate and Pensionable Remuneration scale for the corresponding UN Grade; that the current salaries and retirement contributions for incumbent staff be taken into account so that conversion to the UN grades and scales for salary and retirement benefits results in no reductions from current levels, but any salary and retirement contribution that is above the current UN levels for the corresponding position would be frozen until parity was reached; and that within-grade step increases for subordinate staff be consistent with the UN system in timing and amount, and be based on performance as determined by the Executive Director. Mr. Yawata reported that the recommendation was presented at the 412th Meeting of the Standing Committee but that a consensus for adopting it could not be found. Under the Rules, the Chair of the Standing Committee referred the matter to the 54th Meeting of the Advisory Committee.

The delegate of the USA referred to the views of the Executive Director as presented in Working Paper VIII regarding control and flexibility to set compensation commensurate with performance. He said the Standing Committee differed with the views of the Executive Director. He said that step increases would not be automatic, that the recommendation of the Working Group did not preclude the payment of bonuses to Secretariat staff members to motivate excellence in performance and that the Executive Director would still determine the step level under which a newly hired employee would enter the system. The delegate repeated the view of the Standing Committee that the Wyatt pay comparability study had been rejected by the Standing Committee because inappropriate comparators had been used.

The delegate of BELGIUM strongly supported the proposal that the salaries of the Secretariat staff be at the UN grades for positions of commensurate responsibility, taking into account that the conversion does not result in a reduction

of levels. The delegate stressed the need for consistency between the treatment of the Executive Director and the rest of the Secretariat; given that a decision had been made to base the Executive Director's salary on the UN scale the same should be done for the rest of the Secretariat.

The delegate of BRAZIL supported the statement of the delegate of the USA.

The delegate of FRANCE noted that the Committee had decided in 1987 to withdraw personnel from the UN system to allow for greater leeway in management of the Secretariat. Therefore, the delegate supported retention of the current system which he said seems adapted to the size of the ICAC.

The delegate of ZIMBABWE supported the recommendation of the Working Group.

The delegate of EGYPT said that the logic which applied to the salary for the Executive Director should be applied to the rest of the Secretariat.

The delegate of SOUTH AFRICA said that he could not support the recommendation of the Working Group for the same reasons that he did not support the proposal to link the salary of the Executive Director to the UN pay scale. The delegate urged the Committee to grant the Executive Director the flexibility to manage the Secretariat within the budget approved by the Standing Committee.

The delegate of CHINA (TAIWAN) supported the proposal to link the Secretariat salaries to the UN scale.

The delegate of the UK expressed sympathy with the views expressed by the delegate of South Africa about the need for flexibility in management of the Secretariat. The delegate expressed support for the Working Group proposal, with the assurance that the flexibility features described by the delegate of the USA did exist and with the understanding that the Standing Committee would be willing to finance the payment of step increases and bonuses for the Secretariat staff as recommended by the Executive Director.

The delegate of AUSTRALIA supported the linking of Secretariat pay to the UN pay scale, given the decision already taken regarding the salary of the Executive Director.

The delegate of GERMANY stated that logic requires the application of the UN system to the staff of the Secretariat as well as to the Executive Director.

The delegate of the PHILIPPINES supported the recommendation of the Working Group.

The delegate of SPAIN supported the extension of the UN system to staff but asked to have the



margins of flexibility available to the Executive Director in management of the Secretariat described clearly.

The CHAIRMAN asked Mr. Yawata to describe the flexibility features of the Working Group proposal. Mr. Yawata deferred to the delegate of the USA.

The delegate of the USA assured delegates that the Working Group proposal would permit the Executive Director to withhold step increases if appropriate, to offer bonuses for superior performance and to establish the UN grades for each position.

The delegate of SPAIN thanked the delegate of the USA and said that, if the Executive Director had nothing to add, he could support the recommendation of the Working Group.

The delegate of the UNITED KINGDOM reiterated his position that the Standing Committee must allow for the payment of performance bonuses to the Secretariat, that the step increases not be seen as automatic and that the Executive Director be allowed to determine where on each scale each staff member best fit.

The delegate of BRAZIL supported the comments of the delegate of the UK.

The CHAIRMAN said that he found numerous expressions of support for the Working Group proposal, with the flexibility provisions which were elaborated at this meeting, as the consensus of this meeting.

The CHAIRMAN, based on discussion earlier, also found a consensus for no change in the current practice of the Committee to hold Plenary Meetings in member countries at their invitation. The delegate of AUSTRALIA submitted a statement on the venue of the Plenary Meeting for the record.

The CHAIRMAN asked if there was any other business.

The delegate of PARAGUAY expressed satisfaction with the environment prevailing in this meeting due to the cordiality of the Filipino people. The delegate recounted the history of cotton production in Paraguay since 1990/91, when production reached a record of 753,000 tons of seed cotton from 550,000 hectares. The delegate noted that production had fallen after 1990/91 because of problems with disease and the provision of planting seeds. However, he said conditions had improved in 1994/95 and the government was taking steps to maintain cotton production as an important source of income for farmers and as a factor for the industrialization of the country through the development of the local spinning industry. The delegate said he had the pleasure to remind the Committee that the Government of Paraguay looks forward to hosting the 56th Plenary Meeting in 1997. His full

remarks and country report are Statements of the Meeting.

The CHAIRMAN adjourned the meeting at 11:45 am.

### Third Meeting

Friday, October 27, 1995, 9:00 am  
Mr. Joemari D. Gerochi in the Chair

The CHAIR reviewed the agenda for the third meeting and called on Dr. Isagani Catedral, Head of the Cotton Research and Development Institute of the Philippines, to present the report of the Chairman of the Committee on Cotton Production Research. Dr. Catedral's report is attached.

The CHAIR asked delegates to approve the report. The delegates of AUSTRALIA and INDIA congratulated Dr. Catedral for his comprehensive and accurate report of the meeting of the committee and urged its approval. The CHAIR found a consensus for approval of the report.

The CHAIR called on Mr. David Burnikell of the UNITED KINGDOM, who had served as Chair of the Drafting Group. Mr. Burnikell noted that the Drafting Group had met at 4:30 pm on October 26 and through cooperative discussion had developed the statement which was before delegates.

The delegate of INDIA complimented the Chair of the Drafting Group for his work and expressed the view that the statement before him reflected the conclusions of the Group. Hearing no other comments, the CHAIR found a consensus for adoption of the document as the Statement of the 54th Meeting.

The CHAIR noted that the Committee had received and accepted an invitation from the Government of Uzbekistan to hold the 55th Meeting of the Committee in Tashkent the week of October 7-11, 1996. He further noted that the 56th Meeting would be held in Paraguay and that meetings would be held in Bolivia and Sudan in 1998 and 1999.

The CHAIR noted that the Secretariat had prepared a note on the discussions held during the Second Meeting of the Steering Committee, which was before delegates.

The CHAIR asked delegates for their comments.

The delegate of the UNITED KINGDOM proposed alternative language for the point in the note regarding reference of the matter of a fee for participation in the Plenary Meeting back to the Standing Committee. There was discussion concerning the decision of the Standing Committee regarding a fee for observers and whether the issue should again come before the Advisory

Committee. It was decided to refer the matter of a fee for both observers and delegates to the Standing Committee for determination.

The delegate of the USA proposed alternative wording for the point in the note regarding the determination of where in the UN scale individual staff would be placed. His view was to make this determination with consultation with the Standing Committee. This position was supported by AUSTRALIA, PHILIPPINES, and PAKISTAN. The delegates of SUDAN and SOUTH AFRICA supported determination by the Executive Director. The delegate of TURKEY proposed that the determination be subject to approval of the Standing Committee. The delegate of the USA agreed to a proposal from the United Kingdom that the placing of positions by grade would be with consultation of the Standing Committee, but that the placement of staff members at individual points in grade would be determined by the Executive Director within the limits of budgetary resources. The delegates of BOLIVIA, BRAZIL and INDIA considered the addition of the limit of budgetary resources unnecessary, as the budget of the Committee was dependent on approval of the Standing Committee in any event. The CHAIR found general agreement for the revision in language suggested by the United Kingdom, with the addition of the language proposed by the USA.

The delegate of the UNITED KINGDOM proposed alternative language for the point in the note regarding referral of the issue of increased participation by the private sector to the Standing Committee. The delegate of UGANDA asked that any proposals made by the Standing Committee be presented to the next Plenary Meeting. The revised language was adopted.

The delegate of the USA proposed alternative language for the point in the note regarding language services. The delegate stated that it was his impression from comments made by other delegates that there was consensus that the Secretariat should assure the sufficiency of translating services, including document translation, and that language services should be given a higher priority when alternatives for reducing cost are considered. The delegates of SUDAN and EGYPT supported the amendment. A consensus was found for this addition.

The delegate of the UNITED KINGDOM proposed alternative language for the point in the note urging the Standing Committee to focus on enhancing the services of the organization. Agreement was found for the change.

The delegate of AUSTRALIA proposed deleting the point urging the Standing Committee to concentrate its discussion on cotton issues. The

deletion was supported by the PHILIPPINES and the USA. The delegate of the USA agreed with the Australian delegate that the Rules and Regulations required the Standing Committee to give sufficient attention to administrative matters and pointed out that the Rules give equal weight to the Standing Committee's responsibilities in dealing with substantive, administrative and financial matters of the Committee. The delegate of SOUTH AFRICA urged the inclusion of the point with additional language congratulating the Standing Committee on its work to control the budget. Alternative language was suggested for the point by the delegate of AUSTRALIA to urge member countries to bring cotton issues to the attention of the Standing Committee. This compromise was agreed.

The delegate of the USA proposed an additional point to the note to request that documents containing proposals for action by the Advisory Committee be circulated sufficiently in advance of the meeting to allow for adequate advance preparation for discussion and decision-making by the Advisory Committee. He referred specifically to the Secretariat's proposal regarding consulting members which had not been reviewed by the Standing Committee. The Executive Director noted that it was always the intent of the Secretariat to circulate background documents in as timely a fashion as possible. He said the Secretariat had been able to circulate documents six weeks in advance of the present meeting on all issues to be discussed. The delegates of AUSTRALIA and INDIA said that they had found the presentation of necessary documents for the meeting to be entirely adequate and timely. The delegate of the USA withdrew his proposal.

The delegate of the USA proposed adding an additional point to the note to ask that reports on Common Fund projects be circulated to all member countries. There was agreement for this addition.

The note, as amended, which is attached, was adopted as a statement of the decisions made by the Steering Committee.

The delegate of the USA requested the opportunity to add to the record of the meeting comments of his delegation on various working papers which the delegation had been unable to present at the second meeting of the Steering Committee. The CHAIR asked the delegate to provide the comments to the Secretariat. The delegate of INDIA sought assurance that these comments were being provided for the information of other countries and were not to be considered actions of the Committee. The CHAIR assured the delegate of India that the additional USA comments were only information regarding the position of the USA and did not reflect the views of the Committee at large.

The CHAIR adjourned the third meeting of the Steering Committee at 10:45 am.

## ATTACHMENTS

### Report of the Chairman of the Committee on Cotton Production Research

**Isagani G. Catedral**

The Committee on Cotton Production Research of the ICAC conducted a technical seminar on the topic "New Sources of Genetic Resistance to Cotton Pests," decided topics for future seminars and also discussed whether or not to continue the World Cotton Research Conferences. It was an honor for me to chair the meeting of the Committee on Cotton Production Research and now it is a pleasure to present a report.

Dr. Edison C. Riñen of the Philippines opened the subject with an overview of losses caused by insect pests. He said that cotton consumes a major share of insecticides in cotton growing countries. However, legitimate concerns regarding their effects on health and environment and continued rise in costs have convinced researchers to seek for novel pest management approaches. In this regard, built-in plant resistance is of paramount importance. In addition, control of certain pests like fusarium and verticillium wilts is possible only through resistant varieties. He said that if we are able to induce genetic resistance into the cotton plant, elaborate techno-transfer activities on pesticide control would no longer be required. He hoped that recent advances in genetic transformation could further expand utilization of possible means to incorporate genetic resistance in cotton.

According to Dr. A. K. Basu of the Cotton Corporation of India, non-preference, antibiosis and escape mechanisms are three different types of tools in the hands of researchers which can be utilized to reduce insecticide use. In India, a number of interspecific crosses involving wild species have shown complete resistance to bollworms. A number of MECH hybrids with okra leaf characters and long staple fibers are grown on a substantial area in central and south India. A multi-species hybrid, "Adadhita," is becoming popular among farmers because of its resistance to bollworms. A red colored high tannin content diploid variety, G-27, is successfully grown in the north. In India, a cowpea gene has been induced into cotton enabling it to resist tobacco budworm. He hoped that more developments in genetic engineering will permit the use of genes from spiders, scorpions, etc. and the azadirachtin producing gene from neem.

A joint paper was presented by Dr. Ahmed El-Gohary and Dr. Galal Moawad from the Minis-

try of Agriculture, Egypt. In Egypt, the earliness feature has been utilized extensively as an escape mechanism to avoid bollworm damage. The growing period has been reduced by thirty days to 165 days. Varieties immune to fusarium wilt have been developed and extensively grown for many years. In the second part of their presentation, Dr. Moawad reported on utilization of sex pheromones. In five years, pheromone use has been extended to 464,106 acres. Insecticide imports during 1994 were only 25% of what was imported in 1988.

Dr. Jingyuan Xia from China (Mainland) categorized the theme of the seminar into six stages: Identification, evaluation, mechanism of resistance, genetics of resistance, breeding and utilization of insect resistance. He reviewed the status of work on these issues in China and stated that methods have been standardized to verify resistance to insects under field and controlled conditions. In China, varieties CRI 21, HM 101 and CM 99 which have special morphological characters have been released for commercial cultivation. They not only require 2-3 sprays fewer than the check variety but also give higher yield by 8-15%. During 1993-1995, resistant varieties were grown on 300,000 hectares thus saving on the average 50 million US dollars.

Dr. Fred Gillham, a cotton consultant, said that biotechnology is a new tool which provides a means to expand genetic variability in ways that were never possible before. A major breakthrough has been made in the transformation process, but it still needs to be extended to incorporate a set of genes instead of a single gene. According to Dr. Gillham, limited scientific infrastructure, human resources and technology delivery and even marketing may be important obstacles to utilization of biotechnology. But he strongly believes that biotechnology—particularly transgenic options—has the potential to provide a solution to problems where conventional breeding has been deficient so far. He also made mention of the patent issue and emphasized the need for biotechnology advice and information for the developing countries.

Mr. Thomas Luehder, country representative for China (Mainland) of the Delta and Pine Land Company, reported on the field performance of Bt cotton. He said that Bt cotton has trademarks—"Bollgard" in the USA and "Ingard" in Australia. The cultivars which are closest to be marketed in the USA are named NuCOTN 33B and NuCOTN 35B. Field trials showed that NuCOTN varieties were taller which may be due to higher seedling vigor, but there were no maturity differences. Bt varieties were superior in yield by 109 kg lint/ha over the commercial spray program. The difference in yield increased with the increase in lepidop-

teran pressure, and positive effects on some quality parameters were also noticed.

Dr. Kamal M. El-Zik of the USA reviewed the Multi-Adversity Resistance (MAR) program of Texas A&M University. He briefly went through the breeding process and stated that eleven Tamcot varieties and 300 elite MAR breeding lines have been released from the MAR program. These varieties were in addition to twenty-seven varieties selected from the MAR material by private seed companies. About 10% of the total cotton area in the USA is grown under MAR varieties. He stated that resistance to pests is a relative trait and cannot be taken as an absolute quality character. He supported the view expressed by Dr. Fred Gillham that biotechnology will not replace nor can it be used independently over conventional breeding, rather, it must be taken as a new tool to enhance its usefulness.

A paper from Uzbekistan covered a new way to develop resistance to insects which was probably missing in other papers. Dr. Said Akbar Rakhmankulov of the Uzbek Scientific Research Institute in Tashkent stated that mutation breeding has been successfully employed to develop a high yielding variety immune to wilt. Interspecific hybridization involving diploid and tetraploid uncultivated species has also been used to develop wilt resistant varieties like Tashkent-1.

The presentation of each paper was followed by discussion on the paper. Leaf hairiness is one of the most commonly used plant features for protection against sucking insects. The delegates from Paraguay, Uganda and Sudan showed great interest in the origin and utilization of this character. But, it was realized that hairy varieties are usually susceptible to whitefly and bollworms, in addition to increasing trash content during picking.

No strong resistance to *Helicoverpa armigera* has been found in the Philippines and Sudan, although it was said that smooth leaf character varieties have shown some tolerance in some countries. It was also proposed to explore the nectariless character, a character with negative effects.

A number of speakers referred to utilization of wild species. However, how to transfer characters from diploid uncultivated species to cultivated tetraploids remains questionable. Accumulation of so many desirable characters in one variety without having any negative effect on plant behavior and yield performance was also a matter of concern for many participants. India and Uzbekistan seem to have utilized wild species more than other countries. The participants showed great interest in the Multi-Adversity Resistance program of Texas A&M presented by Dr. El Zik. Participants discussed the possibility of extending the program to barbadense

species and whether the Bt gene could be induced into MAR lines. It was noted that strong sources of resistance to fusarium and verticillium wilts are available in many countries.

A significant amount of time was spent discussing transgenic cotton. Breeding, having been limited with the transfer of chromosome sets, has restricted the use of many desirable features available within a population. All speakers made mention of transgenic Bt cotton. The issue of patents also came under discussion. It was felt that biotechnology has great potential but its utilization by developing countries is still far. It was interesting to note that a cowpea gene has been inserted into Bt cotton to increase the resistance base. Researchers present at the Seminar expressed the belief that as the transformation process is becoming more common, the ability to transform more than one gene at the same time will speed up the utilization of biotechnology, and that there is a need for efficient exchange of information in this field.

#### Proposed Topics for Future Seminars

Working Paper XI, a proposal prepared by the Secretariat on topics for future seminars, was discussed by the committee. The four topics proposed were Wild Species of Cotton: Their Maintenance and Utilization; Organic Cotton Production and Prospects; *Trichogramma* Species: A Biological Control of Bollworms; and Short Season Cotton: How Far Can It Go? Mr. Ralph Schulzé of Australia proposed a topic comprised of a field visit focussed on conservation of soil and irrigation resources and progress reports on the ICAC sponsored Common Fund projects, as a fifth choice. His proposal was supported by Brazil, Chad, South Africa and UK.

Dr. Mohamed El Moghazy of Egypt, emphasizing the importance of early maturity and short duration varieties, proposed to have Short Season Cotton: How Far Can It Go as the topic for the 1996 Technical Seminar. Mr. Jose Alfonso Morcillo of Spain, in his written statement, also supported short season cotton to be the topic for next seminar. Dr. El Jack Mursal of Sudan also supported the proposal made by the delegate of Egypt. Dr. M. S. Bhatia and Dr. A. K. Basu proposed considering Short Season Cotton or *Trichogramma* Species: A Biological Control of Bollworms, as topic for the 1996 Technical Seminar.

Dr. Chaudhry described the status of Common Fund projects approved so far. He said that four projects have been approved while one is still awaiting approval from the Executive Board of the Common Fund. Out of the approved four, the project "Production Prospects for the Next Decade" had already been completed, the Israeli whitefly project is in its second year of operation, the boll weevil project had just started its activities, and the leaf curl project will start its

research activities in a few months. If the Cameroon and CIRAD-CA project is approved by the Executive Board, it might take a year for funds to become available. He proposed that it would be more appropriate to discuss all the Common Fund projects in 1997. He added that the 56th Plenary Meeting of the ICAC would be held in Paraguay which is one of the collaborators in the boll weevil project.

After this clarification, Mr. Schulzé agreed that it may be too early to discuss the progress of projects in 1996 and consented to review them in 1997. However, he maintained that a report on the project which has already been completed should be presented in the technical seminar or at a plenary session during the 55th Plenary Meeting. He also proposed that the host government be asked to arrange a field trip during the 55th Plenary Meeting.

It was decided that "Short Season Cotton: How Far Can It Go?" will be the topic for the Technical Seminar at the 55th Plenary Meeting. A report on the Common Fund project "Production Prospects for the Next Decade" will be presented either to the Committee on Cotton Production Research or at a plenary session. The host country will be asked to arrange a trip to visit a cotton field during the 55th Plenary Meeting. Progress on the Common Fund projects will be the topic of the seminar for the 56th Plenary Meeting.

#### World Cotton Research Conference-2

Dr. Chaudhry introduced the subject and stated that the World Cotton Research Conference-1 was a very successful event. In spite of the expense of traveling to Australia, the conference was attended by over 500 participants from more than forty countries. He said that this attendance showed that there is a need and interest for world cotton conferences. The International Committee of the World Cotton Research Conference-1 decided to have a series of such conferences every four to five years but the venue of the conference was neither discussed nor agreed. Dr. Chaudhry informed the meeting that the ICAC Secretariat had received an invitation from Greece to host the World Cotton Research Conference-2. In the absence of a delegation from Greece, the invitation read to the meeting is as follows:

The international cotton research community, after the success of the 1st World Cotton Research Conference 1994 in Australia, has decided to continue the series of such conferences. The Hellenic Cotton Board strongly supports that the conferences be held every four to five years. Greece extends an official invitation to host the 2nd World Cotton Research Conference 1998 with the understanding that the conference cost of US\$60,000 be shared equally by ICAC, another international organization and the Hellenic Cotton Board.

The delegates of Australia, India, South Africa, Sudan and United Kingdom expressed appreciation for the invitation and strongly supported the holding of World Cotton Research Conference-2 in Greece in 1998.

### **Administrative Decisions of the Steering Committee**

1. Mr. Jose Molina of Argentina was elected Chair of the Standing Committee for the period to the 55th Plenary Meeting. Mr. Victoriano Leviste was elected First Vice Chair and Mr. Aluisio Lima-Campos was elected Second Vice Chair.

2. The salary for the position of Executive Director of the International Cotton Advisory Committee was set at UN grade D-1 adjusted for Washington DC; the retirement contribution for the position of Executive Director will be computed at the UN rate and Pensionable Remuneration scale for UN grade D-1; there will be no reduction in the level of salary and retirement contribution for the incumbent Executive Director; the current salary and retirement contribution, if above current UN levels, will be frozen until parity is reached; and within-grade step increases be consistent with the UN system in timing and amount and be approved by the Standing Committee.

3. The salaries for subordinate staff positions at the Secretariat will be set at the UN grades for

positions of commensurate responsibility; the retirement contributions for subordinate positions will be calculated at the UN rate and Pensionable Remuneration scale for the corresponding UN grade; the current salaries and retirement contributions for incumbent staff will be taken into account so that conversion to UN grades and scales for salary and retirement benefits results in no reductions from current levels, but any salary and retirement contribution that is above the current UN levels for the corresponding position will be frozen until parity is reached; and within grade step increases for subordinate staff will be consistent with the UN system in timing and amount and be based on performance as determined by the Executive Director. Provision will be made in the budget for the payment of step increases and performance bonuses. The Executive Director, in consultation with the Standing Committee, will determine the grade in which each staff position best fits. It will be for the Executive Director to determine at which point in the grade individual staff members are placed, taking into account budgetary resources.

4. The matter of charging a fee for participation as delegates or observers in Plenary Meetings was returned to the Standing Committee for determination. If the imposition of a fee is considered appropriate, several countries wished to see the number of official delegates admitted at no cost set at more than two.

5. The proposal to increase private sector partici-

pation in the affairs of ICAC met with a number of reservations. The matter was referred to the Standing Committee for detailed examination. Any proposals considered appropriate would be presented to the next Plenary Meeting.

6. The importance of language services was stressed by a number of countries, who noted that it was a false economy to reduce spending on language services if members were unable to participate in the affairs of the Committee. Delegates expressed the view that the Secretariat should assure the quality and sufficiency of translating services, including the translation of documents. This should be assigned a high priority when considering cost cutting measures.

7. While the Secretariat was urged to keep reducing the costs of its operations, the Standing Committee was urged to focus on enhancing the services and revenue generating activities of the organization.

8. Member countries were urged to bring forward to the attention of the Standing Committee during the year matters that were considered important to the cotton industries in their countries.

9. It was agreed that reports on Common Fund projects, including their progress, accomplishments and findings, should be distributed to all member countries on a regular basis.

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# Statements to Plenary Sessions

## Inauguration

### Invocation

**Cornelio de Wit, MHM, Vicar  
Religious Archdiocese of Manila**

“Everything growing from the earth, Bless the Lord.” (A quote from the Canticle of the prophet Daniel.

Lord, Master of the Universe, you have brought together here in Manila the Planters and Traders of Cotton for the 54th Plenary Meeting of the International Cotton Advisory Committee.

Cotton has been cultivated by man since biblical times and been useful in many ways to man in his many needs. In our time, cotton is still a much needed commodity in spite of all efforts to replace it with man-made substitutes. In our times a more sophisticated system of trading as well as a more refined way of growing cotton was developed. Above and in the midst of this development stands the human person. Without man as trader or grower of cotton, we could not enjoy the benefits of cotton.

May the resolutions of this conference safeguard the inalienable dignity of all human persons who are part of this worldwide cotton enterprise. May this conference in a creative manner find new ways to make the poor share more in the benefits of cotton so that the hard work of all participants in this conference may, in the long run, redound to the well-being of more and more people.

The price of cotton will fluctuate as all products of our earth. May you have the wisdom and the courage to calculate in your decisions what is just and beneficial for all who are affected by the International Cotton Advisory Committee.

So help us the Lord, our Father and Master of the Universe. Amen.

## Welcoming Remarks

**Patricio L. Lim  
President  
Philippine Cotton Corporation**

It is my great honor to welcome you all to the inauguration of the 54th Plenary Meeting of the International Cotton Advisory Committee or ICAC. I am told that as of yesterday, 269 participants from forty-two countries and international organizations have registered for this important event.

We also take this opportunity to thank the ICAC for giving our country the honor of hosting the plenary meeting for the second time. In 1980, we

had the pleasure of hosting the 39th Plenary Meeting. We were told that the delegates then brought home with them many happy memories. We hope that this time we will once again be able to give a sampling of our famous Filipino hospitality and build lasting friendships.

We in the Department of Agriculture, together with other agencies of the government and the private sector, have sought to do our best in making the necessary preparations for this meeting. We hope that you will find all arrangements convenient and conducive for a most productive meeting.

As host, we are inspired and enthused by the thought that in the ICAC plenary meetings experts in cotton production, trade and consumption come together in a spirit of camaraderie and collaboration, bringing with them their wealth of experiences. As the delegates discuss the production and supply of cotton and cotton demand and prices, we hope that we learn from the past and look forward to a better future. We are certain that we in the Philippines, particularly those who are involved in the cotton industry, have much to learn from our fellow delegates.

Once again, on behalf of the Government of the Philippines, welcome and *mabuhay!*

## Inaugural Address

**Roberto S. Sebastian  
Secretary of Agriculture  
The Philippines**

The Philippines is pleased to host the 54th Plenary Meeting of the International Cotton Advisory Committee.

We are happy that the Committee has seen fit to come back to Manila fifteen years after holding its 39th Plenary Meeting here in 1980. I am told that the delegates to that meeting were so impressed by their host's outstanding display of friendship and hospitality that, to this day, they still have fond memories of the event. Fifteen years is a long time and though we may be meeting in the same venue, I am sure you do recognize the many changes that have occurred in the Philippines through the years. In the 1980s, the Philippines was struggling through political and economic crises; today, ours is a country recovered and reinvigorated, a country where constitutional democracy has been restored and is well on its way to the status of a newly agri-based industrialized economy.

As we approach the third millennium, the next five years promise to be a very challenging period for our country. Our people are working together towards a common vision—the vision

of Philippines 2000. A crop with strong competitive potentials, cotton will be promoted by both the government and the private sector under the Medium Term Philippine Development Plan. It is an important component of the Department of Agriculture's Key Commercial Crops Development Program.

We see in cotton a means for increasing the incomes of Filipino farmers in areas where this crop can be suitably grown. Our scientists and researchers have determined that about 250,000 hectares located in twenty-six of our country's seventy-six provinces are suitable for cotton growing. Our farmers have demonstrated that they can do well in cotton, possibly even earning more than they would from planting the more traditional crops. We have in cotton a good second crop to rice or corn. It fits well into several multi-crop combinations, such as garlic-cotton and mungbean-cotton. It can be developed as a priority commercial crop when given the necessary market and production infrastructure investment. Through the identification of Key Production Areas (KPAs) for specific crops, we have initially pinpointed fourteen provinces for inclusion in what we call our Cotton Development Enhancement Program (CDEP).

History books recount that Philippine cotton used to be exported to neighboring countries even prior to the 16th century. Cotton from Philippine farms was being woven on hand looms into fabrics of intricate designs. Just as cotton was a source of income for Filipino farmers in the past, we believe it can also generate increased incomes for present-day Filipino farmers.

The most compelling argument for the viability of local cotton production is the fact that there exists in our country a ready and huge market for cotton. The textile and garment industries are among the pillars of the Philippine economy. There are in operation fourteen integrated mills with spinning, weaving or knitting, dyeing and finishing facilities. There are another thirty-six mills in spinning operations. In 1994, the textile sector had a total of 50,000 direct employees. The garment industry, on the other hand, consists of thousands of companies, big and small, providing employment to about half a million Filipinos.

Cotton accounts for half of the total raw fiber requirements of our spinning mills. Each year, the industry consumes about 70,000 metric tons of cotton lint valued at \$150 million. We can grow at least 60% of this cotton, corresponding to the mills' requirements for medium-staple cotton lint.

The key to meeting at least a portion of the

mills' cotton requirements locally is the Filipino farmer. If local cotton growers can consistently achieve the average yields that researchers have demonstrated as possible, at reasonable costs and with optimum profit margin, cotton will be an important crop in Philippine agriculture. The Filipino farmer certainly has the capability to do so.

If cotton farmers work together as cooperatives, they will do even better. Through cooperatives, the potentials of marginal farmers to become entrepreneurs through their own initiative and self-help are being developed and enhanced. It is toward this framework that government and private efforts on the promotion and development of cooperatives are being directed. Government agencies, non-government institutions, people's organizations, communities and the cooperative sector have linked themselves into cooperative development councils at various levels—national, regional, provincial, city and municipal. This multi-sectoral linkage serves as the integrated system that would address the needs of cooperatives holistically and spur their economic and political efficiency. Mobilizing local resources, tapping indigenous technology involving women and youth, participatory planning, helping implement and evaluate cooperative enterprises and activities are the main components of multi-sectoral interventions for cooperative development. This integrated systems approach to empowerment is gaining ground.

We, therefore, see cooperatives as the foundation of the cotton industry, the principal participants in, and beneficiaries of, the CDEP.

If cotton is important to us in the Philippines, it is equally important to all the forty-two countries in the world which together form the International Cotton Advisory Committee. Whether we produce, process, market, or consume it, cotton makes a difference in our economies. As such, it is an honor for the Philippines to be hosting this meeting. I believe that the International Cotton Advisory Committee can do, and is doing, very good work to help cotton-producing countries draw maximum benefits from this crop.

The world cotton market can sometimes be very volatile. The presence of an international association which can provide member countries information on cotton production, price movements, and trade scenarios is certainly of value. The ICAC also serves as a forum for exchanging new research findings and technologies for improving the quality of cotton at the farm level, at the gin, and at the textile mill. The Philippines certainly benefits from such information. We learn from the experiences of other countries. We are challenged to achieve what others have achieved. And we can agree on where we can best complement each other's comparative advantage.

We, too, realize the importance of research in sustaining our local cotton industry. To increase productivity, we have focused our R&D on varietal improvement, integrated pest management and intensive technology transfer. To encourage a larger number of Filipino farmers to plant cotton from year to year, the present profitability of cotton and its comparative advantage must be maintained and improved. To this end, policies and technology generation must be directed toward higher productivity, less intensive production inputs and management practices, and reduced environmental hazards.

Four local varieties have been adapted to the specific growing conditions of the country. Integrated pest management schemes are now in place with varietal resistance against sucking pests and use of biological control as the main focus. We advise pesticide use only when necessary. Management practices, such as close season planting, clustering, and maintenance of cotton-free period, form part of the recommendation. And we are doing our very best to create an environment conducive to the wider adoption of new and appropriate technologies by our farmers.

Philippine cotton will never be more than a tiny portion of the total world crop production. Under the most optimistic assumptions, we expect cotton hectareage in the Philippines to grow to only about 40,000 ha. over the short term and this represents less than one percent of the total arable area in the country. But our vision is that cotton will be a mainstay in Philippine agriculture as it gears toward global competitiveness. The challenges and opportunities arising from the GATT Agreement on Agriculture further affirm the wisdom of promoting local cotton production. We will work diligently toward that dream. The Philippines' hosting of the 54th Plenary Meeting of the International Cotton Advisory Committee is a solid evidence of this resolve. And we certainly hope to host and participate in more activities like this one that aim to spur the growth of the cotton industry.

Thank you, and I wish you all a successful plenary meeting and a pleasant stay in our warm and hospitable country.

## **Second Plenary Session Statement of Egypt**

I am honored to address this distinguished gathering of delegates and to present Egypt's statement on the cotton situation on the occasion of the 54th Plenary Meeting. The statement includes statistics covering production, consumption, carry-over and foreign trade of Egyptian cotton and policies pertaining to the liberalization of cotton production and trade.

It is obvious that, whereas the nationalization of cotton production and trade takes no more than the issuance of the necessary legislation which freezes the market forces and gives the government complete control, it takes tremendous efforts for the liberalized cotton trade to build up the capacity for a working system under conditions of market forces. It takes time for the full impact of the liberalizing legislation to materialize in a coherent form to make cotton production and trade to function in accordance with market forces.

The liberalization of cotton trade necessitates sound marketing infrastructure, qualified manpower and expertise, and a reliable marketing data-base. These factors, together with other requirements, constitute the main foundations to ensure that market forces are actually organizing the production, marketing and trade of cotton.

The current cotton season has witnessed drastic changes in production, marketing and trade policies. The liberalization process and the enhancement of private sector participation have had strong ramifications in creating a more conducive environment for moving a step forward toward cotton free trade.

The liberalization of cotton trade has been made possible through a complete change of the economic and legislative framework toward the eradication of state control throughout the marketing channels. Government intervention used to result in severe market distortions that had adverse implications on both the fair distribution of the marketing margins and the efficiency of resource allocation.

To assure soundness and sustainability of the new scenario of cotton trade, three new pillars were introduced since 1994. These pillars encompass the liberalization of internal marketing, the initiation of the cotton exchange and the establishment of the Cotton Exporters' Association.

The three corresponding legislation have actually resulted in a partial liberalization of the market. Producers are now free to sell their cotton to the public enterprise companies, private sector and/or cooperatives. The government has also set minimum guarantee prices to protect producers in case of market failure or severe international price fluctuations.

In line with this strategy, 997 new marketing circles nation wide have been established as a new venue for farmers to sell their cotton. Cotton is optionally received from producers and an advance is made amounting to 90% of the minimum price. Weekly prices for each grade are announced in line with export prices. Cotton is then sold through auctions in favor of the producer. Total balance is settled within 48 hours from time of sale. This system has re-

sulted in a large increase in producer selling prices ranging from 45-50% over last year's prices for the same variety and grade.

Trade is still encountering some problems in marketing circles as a result of price speculation. However, these circles are generally considered a guarantee for those producers functioning under the liberalization policy and within the current market forces.

In view of the expanding participation of the private sector—there are more than 116 private sector companies working in the market in addition to 12 public sector spinning and trade companies, all competing to buy cotton—a union for cotton traders has been founded to protect their interests.

During the last few years, tremendous progress has been made in the production and quality of various varieties of Egyptian cotton.

All preliminary indicators are showing that this year's crop is in a very good condition. The area cultivated has amounted to 721,000 feddans, with a projected yield ranging between 5.25 and 5.5 kentars. The cotton crop, however, has encountered some pest management problems at its early stages.

Last year, Egyptian cotton regained a good share of the market on the international ELS cotton category. This is attributed to the drastic changes introduced in the export policy regarding the determination of export prices and the concrete promotion program to regain credibility in the export market.

The policy this year is to maintain a large portion of that share. However, due to some delays in cultivation caused by unfavorable weather conditions at the beginning of the season, the export policy and the determination of export prices have not yet been finalized although they will be ready for release soon. It is worth mentioning that the crop this year is allowing potential exports of not less than 500 thousand kentars.

The new flexible export policy has enabled Egypt to phase out its stagnant stock which is currently within the range needed to secure a stable and sustainable export policy. The cotton spot market is expected to provide market driven prices that will help remedy the adverse repercussions that the exaggerated export prices of the past have had on the size of exports.

Spinners are still concentrating their demands on long staple cotton with finesse, strength and maturity, genetic characteristics for which Egyptian cotton is particularly famous. A strategy is currently being implemented which stipulates the cultivation of each variety in the most suitable production region to ensure homogeneity of the different Egyptian varieties and, consequently, preserve their specific characteristics.

The changes in the Egyptian government's strategy toward more liberalization of cotton production and trade is an irreversible long term commitment. It is inevitable, however, that some disruptions are likely to arise during the transitional period from a government-regulated system with severe market distortions over forty years, to a market-driven one that is highly sensitive to international market forces.

## Statement of Bolivia

I would like to express my sincere gratitude to the Government of the Philippines for hosting this plenary meeting and to the people of the Philippines in general for the hospitality shown to us. Similarly, I express my gratitude to Mr. Yawata, Chairman of the Standing Committee, for his remarks welcoming Bolivia to the ICAC.

Allow me briefly to place Bolivia in the context of the world cotton market. For about fifteen years Bolivia has been away from international markets despite the fact that during this period cotton represented the most important agro-industrial product of the Bolivian economy.

Over the last five years, the annual increase of cotton production has been above 35%. This growth, without any doubt, suggested to the Government of Bolivia that all the necessary efforts had to be provided to the cotton sector to recover the importance of the fiber in the national economy. Even though increases of production in the future might not be as rapid as the growth obtained so far, Bolivia considers that the good yields obtained—above world average—and the relatively moderate costs of production, will secure the strong development of the cotton sector. Bolivia has reinitiated cotton exports to neighboring countries such as Brazil, Peru and Chile and we are certain that at the current rate of growth, Bolivia will surpass the 80,000 hectares planted to cotton in the 1970s and that we will be able to sell our high quality fiber in many other international markets.

We have made available to every delegation, through the Secretariat, a magazine showing the decided support that is currently being given to the Bolivian cotton producers in order to achieve the goals mentioned.

It is the intention of Bolivia to actively participate in the affairs of the ICAC and along these lines, Bolivia would like to extend an invitation to member countries to celebrate a plenary meeting in Santa Cruz de la Sierra when the Committee considers it convenient. This plenary meeting would be realized in the same convention center where the Summit of the Americas will be celebrated next year.

## Statement of South Africa

On behalf of South Africa I should like to thank the government, the Philippine Cotton Corpora-

tion and the people of the Philippines for their very warm welcome and excellent arrangements for this conference. We should also like to convey our thanks and congratulations to the Executive Director and his staff for the excellent quality of their work and professional services rendered during the past year as well as the arrangements for this conference, and to the Standing Committee for the work done in the last year.

The dominant factor in the South African cotton industry, and in fact in the whole southern African agricultural industry, has been the severe drought conditions of the past two years. We have not had normal weather conditions for the past four years. This poor weather situation has had a severe crippling effect on the economies of those southern African countries where a very high percentage of their GDP is dependant on agriculture. It is significant that in these southern African states the major hectareage is cultivated under rainfed conditions; as a result, the crop has only supplied 25-45% of demand. After four years of negative or stagnant growth in the consumption of cotton in South Africa, 1994/95 saw a 10% growth and we forecast another 10% for 1995/96, which will take us back to 1989/90 levels. With regard to the coming year, planting indicators are that production should increase by about 125% which would then supply about 60% of spinners needs.

The Cotton Board has set itself a task to stimulate small developing farmers to the extent that they will supply 30% of domestic consumption within ten years.

With the political and economic democratization taking place in many southern African countries, we expect closer ties at all levels but in particular in the economies of these countries. It is for this reason that we are in the process of forming a Southern African Cotton Association with the objective of discussing common areas of cooperation.

As a result of the economic liberalization taking place in South Africa, protective tariffs are being reduced in many industries but in particular in textile and clothing. Tariffs will be phased down significantly over a seven year period to low levels in all sectors of the pipeline. In other southern African states where this has taken place it has, in fact, had severe adverse results on their textile/clothing industry through the importation/dumping of clothing especially in second hand form. It is interesting to note that textile consumption in African countries has declined. There is therefore some concern about opening up our economies where other countries remain protected or where the phasing down of protection measures is slow and the final level still provides significant support.

## Statement of Turkey

First of all, I would like to express my delegation's sincere thanks to the Government of the Philippines for hosting this plenary meeting and congratulate the organizers both from the Philippines and the ICAC Secretariat for their excellent work.

Since our country report contains a detailed account of our cotton industry, I will just touch upon the highlights of that report as well as make a number of comments of a specific nature.

Today, as the world's sixth largest cotton producer, Turkey is the fifth largest supplier of textiles and clothing in the world and the second in Europe with \$6.4 billion in exports.

The balance of the supply and demand sides in Turkey in the 1994/95 season remained as delicate as in the past with a clearer distinction that Turkey has not become a net importer of cotton since consumption increased due to new investments. Presently, the total spindle capacity is around 5 million which necessitates approximately 850,000-900,000 tons of cotton, theoretically.

Turkey's consumption rose by 100,000 tons during 1994/95 and additional growth is expected during 1995/96.

The gradual and accelerating price increases in the 1994/95 season influenced all textile producers enormously. On the other hand, those same price increases have encouraged cotton growers to enlarge their harvested area.

Due to high domestic prices and the opening of new irrigated area in southeast Anatolia, cotton production rose 20% in 1995/96 and it is expected to climb approximately to 800,000 tons. Continued growth in irrigated areas will increase production.

The full completion of the customs union between Turkey and the European Union which is expected to take place at the beginning of 1996 will assist Turkish textile and clothing exports to grow without any restriction.

## Statement of Uganda

We associate ourselves with previous speakers in expressing our delegation's sincere appreciation and gratitude to the Government of the Philippines and the people of this great country for the warm hospitality extended to us and for providing us with such wonderful facilities for our meeting.

We wish also to take this opportunity to express our appreciation for the wise and able leadership that has characterized the chairmanship of these proceedings.

We would be failing in our duties if we did not

acknowledge with appreciation the tireless efforts of the Executive Director and his team not only in organizing this meeting but also in managing the affairs of the International Cotton Advisory Committee in an efficient manner.

Cotton production in Uganda is at the initial stage of a major rehabilitation effort following a drastic decline in production as reflected in the cotton production table attached to our country statement. The factors contributing to this decline were outlined in Uganda's report to the 53rd Plenary Meeting.

Our efforts have continued to center on strengthening our research and breeding capacities aimed at improving the physical and genetic purity of the cotton seed, improving our extension package to farmers, restocking oxen in cotton growing areas to provide animal traction for cotton production, establishing an efficient mechanism for accessing production credit to peasant farmers in the absence of banking facilities in rural areas, and putting in place efficient systems for procurement and distribution of inputs.

Concurrently, efforts are being made to place ginning capacity in the hands of credit worthy operators bearing in mind the fact that until recently, 100% ginning capacity was in the hands of financially strapped cooperative unions.

Our government is offering debt relief to those unions which are prepared to restructure their operations by selling, leasing or entering into joint-venture arrangements with partners who have the resources to operate the ginneries efficiently.

Following our government's decision to privatize public enterprises in the manufacturing, commercial and services sector, the textile industry which had hitherto been dominated by the public sector is in transition. Production at most mills has stopped pending conclusion of the privatization process.

## Statement of Spain

On behalf of the Spanish delegation I would like to thank the government and the people of the Philippines for the excellent organization of this event and the hospitality shown to us through their known and traditional cordiality. The Spanish delegation would also like to congratulate the Secretariat of the ICAC for the quality of the work presented on the economic and technical aspects of cotton, as well as the detailed working papers.

The Spanish country statement has been provided to the Secretariat for distribution. In it you will find details relative to production, consumption, trade and fiber quality for last season. I am

available to all of you should you have any questions on this respect.

I would just like to point out that the persistent drought that has affected Spain for the fourth year is the main cause of the decline of the Spanish production to levels 30-35% below what is considered normal. For this reason, Spain has become a net importer of cotton. Traditionally, Spain was until recently a producer, importer and exporter of cotton

## Third Plenary Session

### Statement of FAO

I would like to briefly note two areas of work in the Commodities and Trade Division at FAO which may be of interest to delegates at this meeting.

FAO and ICAC have long enjoyed a close and productive relationship. As a recent example, the plenary meeting in New Delhi in 1993 was presented with the results of a study conducted jointly by the secretariats of FAO and ICAC on the outlook for cotton to the year 2000. This study was completed before the Uruguay Round talks had concluded and, with its focus on the current decade, it did not evaluate the likely effects of the new trading environment for fibers and textiles which are not expected to become fully apparent until after this time. The Commodities and Trade Division of FAO has analyzed the impact of the Uruguay Round Agreement on a number of commodities but not, so far, on cotton. However, we hope that within the next year we will be able to prepare, for the benefit of our member countries, a document outlining the expected impact which the Uruguay Round Agreement on Textiles and Clothing will have on cotton and other fibers. We are aware that various other bodies, including ICAC, have undertaken research on this topic and as the task we envisage is rather complex, we would hope to pool our resources and expertise with other organizations having an interest in these issues.

Many delegates are aware of the regular FAO publication, the *World Apparel Fibre Consumption Survey*. The last full edition of the *Fibre Survey* in 1992 contained data on the quantity of wool, cotton, flax, cellulosic and synthetic fibers available for consumption in 133 countries, from 1987 to 1989 for developing countries and to 1990 for developed countries. In 1994 we published a short *Supplement to the Fibre Survey* which provided a continuation of the data series up to 1992 for 23 developed countries for which information was available at that time.

We are currently working toward the publica-



tion of the next regular edition of the *Fibre Survey*, which we expect to make available in the first part of 1996.

We are aware of the many users who place a high value on this publication and we are looking at ways to make the data more useful to users. We maintain regular contact with organizations such as ICAC and the International Textile Manufacturers Federation regarding ways to improve the availability of data on fibers and textiles. One of our aims is to reduce the time taken to make data available. The preparation of the *Fibre Survey* is a time consuming task. We obtain data from a large number of countries and it comes to us in various forms. Processing the data is, despite the use of computers, a complex and time consuming task especially when raw statistics are insufficiently detailed, requiring that estimates be made using whatever supplementary information may be available. In addition, we are hampered by the time taken for many countries to prepare and release the national data which we need. One response to these problems has been to produce the supplement, which we brought out for the first time last year, with information from those countries for which it was available at that time. This placed data in the hands of users at an earlier stage than in the past. We are now working on the development of a new computing system which should improve the processing time for future editions.

I have a few copies of the publication here, and I am happy to take names of anyone who would like to be placed on the mailing list for future editions.

Let me again thank you for giving me the opportunity to address this plenary meeting. I look forward to a continuation in the future of the close cooperation which has existed in the past between FAO and ICAC.

### **Statement of the Committee for International Co-operation Between Cotton Associations (CICCA)**

For CICCA member associations, sanctity of contracts and the maintenance of orderly trading conditions remain critical subjects. CICCA considers these matters to be of equal importance to buyers and sellers, producers and consumers alike.

Last year saw considerable market turbulence flow from the arbitrary imposition of export restrictions by several ICAC member governments. Regrettably, these actions also had a retroactive effect and prevented the proper execution of many existing contracts, the consequences of which are still being felt by numerous individual firms as the processes of arbitration

and litigation continue. The number of such processes is now running at unprecedented levels. These matters will be resolved in accordance with law in due course, but governments must appreciate the long term, retrograde effect that such actions do have on their reputation as exporters, on international trade stability and world prices, and on individual firms.

If governments impede, prevent or condone the proper performance of contracts then problems will follow.

It is not the purpose of CICCA to lobby against tariffs, taxes or quota. It is, however, the conviction and belief of those whom CICCA represents that when a contract is made it should be executed as agreed—failing which the disadvantaged party should be adequately compensated. This principle is enshrined in the commercial and contract law of most trading nations and is supported by long standing international treaties concerning the enforcement of arbitration awards.

We do urge ICAC to promote the notion of the sanctity of legally drawn contracts as a means of maintaining a sound, stable cotton economy.

CICCA also wishes to remind ICAC member governments that firms world-wide continue to experience considerable difficulty in obtaining the enforcement of legitimate arbitration awards made in their favor. The provisions of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958 New York Convention, are intended to enable an award generated in one country to be enforced simply in another, provided both countries are signatories to that convention. Yet, despite being signatories, many countries make enforcement an inordinately lengthy and frustrating process. Some make it virtually impossible. This situation can render arbitration awards meaningless, degrade the value of the arbitral system as a whole and enable rogue traders of all types to engage in malpractice with impunity. These practices inevitably push up prices paid by consumers world-wide. Moreover, countries that fail to act in an appropriate manner are discredited, forcing them in the long run to dispose of their cotton at less than world prices. We urge compliance with international obligations.

Turning to the means of reducing the risks inherent in forward trading, CICCA is concerned that the only available cotton futures market, which is in New York, has not been able in recent months, for complex reasons associated with price volatility, volumes and limits, to provide the raw cotton producers and consumers with the price discovery and risk shifting mechanisms that they require. We have urged the New York Cotton Exchange to seek to determine and establish procedures which better serve the needs of the industry.

Contamination remains a problem for all users of raw cotton who are demanding even higher specifications in order to ensure that the fiber maintains its share of the textile market. We entirely support the action being taken by ITMF to keep this matter in the front of minds of the producers. CICCA member associations applaud deregulation and the privatization of cotton marketing systems that has recently occurred in many countries. However, together with price, quality remains critical to the consumers of raw cotton. We urge governments in producing countries to introduce and promote effective quality control systems in order to ensure complete freedom from contamination. Such action will help to ensure that responsible producers maintain their share of the market. Countries who generate and maintain a reputation for exporting high quality, uncontaminated cotton will inevitably succeed over those whose product is inferior.

### **Statement of the International Textile Manufacturers Federation (ITMF)**

On behalf of the International Textile Manufacturers Federation (ITMF) I would like to thank the International Cotton Advisory Committee and the Government of the Philippines for the invitation to the 54th Plenary Meeting in Manila and for the opportunity to present the view of the Federation on matters relating to cotton.

Although ITMF is rapidly expanding its associate membership basis into man-made fibers, cotton remains an important working area. Thus, the Spinners Committee, which was established in 1985 has, in the first ten years of its existence, been concerned mostly with problems relating to cotton. ITMF's International Committee on Cotton Testing Methods has become the recognized global authority for the advancement of cotton testing in which today over sixty of the world's leading experts are pooling their knowledge and experience. With the establishment of the "Porto Group" two years ago, ITMF has taken the initiative to create a forum for the discussion of problems relating to the standardization of HVI measurements and calibration procedures with the aim of producing better harmonization of HVI test results world-wide. The ITMF biennial cotton contamination survey finally has today become the authoritative reference source for a problem area crucial to spinners. It will over time allow the comparison of performance levels of most of the world's traded growths.

### **Spinners Committee**

The Committee today comprises spinner representatives from twelve countries, namely Australia, Austria, Brazil, Germany, India, Italy,

Japan, Malaysia, Pakistan, Taiwan and the USA and therefore represents a substantial part of world yarn production.

In the first ten years of its existence, the Committee was concerned mainly with the definition and identification of cotton quality requirements of the modern spinning industry and with the dissemination of its views to the widest possible circle of parties involved in cotton, i.e. breeders, growers, ginner, merchants, machine manufacturers (including those involved in the manufacture of testing equipment), government, research institutes, etc. To fulfil its role as a vehicle of communication it has held frequent meetings with leading international cotton merchants in the first years of existence and has visited a large number of cotton-growing countries, namely Argentina, Australia, Egypt, India, Côte d'Ivoire, Mali, Pakistan, Paraguay, Turkmenistan, Uzbekistan and the USA. The next country visit of the Committee is planned for January/February 1996 and will be the second to Francophone West Africa.

While the country visits are continuing, the emphasis in the Committee's work has recently shifted to more practical and commercially-oriented tasks. Thus, in April 1995 the Committee, after a long and careful preparation, has submitted a number of recommendations regarding the modernization of cotton trading contracts which has been the subject of a meeting of the Federation's Joint Cotton Committee just recently. The Committee's move has been prompted by the increasing number of international disputes arising out of cotton trading and the desire to adapt the cotton trading system and the rules by which it is governed to the requirements and constraints of today's market conditions.

#### **International Committee on Cotton Testing Methods**

The importance of accurate and reliable measurement of raw cotton fiber properties gets frequent lip service, but is not always fully appreciated. It is obvious that the price of raw material should depend on its quality. However, with the globalization of industry and commerce and the enormous expansion in consumption, the old methods of hand and eye quality assessment no longer suffice. Quality indicators have to be rigidly and objectively standardized, and appropriate test methods have to be available, so that large amounts of bales of raw material can be assessed within a very short time and the resulting quality be described in a way which can be understood and relied upon by producers, merchants and consumers who are operating thousands of miles apart.

Furthermore, industry is increasingly moving to a new way of operating, in which its manufacturing costs and the quality of its output depend critically upon very high levels of process efficiency, reliability and reproducibility. In order

to guarantee the successful management of such manufacturing regimes, the consistency and reliability of the raw material becomes extremely important. Objective measurement of certain critical quality parameters of the raw material, and the careful matching of raw material to process capabilities is a vital part of this effort.

The ITMF International Committee on Cotton Testing Methods which met last in Bremen in March 1994 works together with test instrument manufacturers, cotton producers, merchants, and spinners, as well as research academics to ensure that the required instrumentation, methodology, standardization, and technical understanding is available to serve these new commercial and industrial imperatives.

#### **Porto Group**

The group convened by ITMF in Porto in September 1993 met again in Bremen in February 1994. It proposed three specific sets of action and identified a mechanism which, in principle, could ensure that these actions would be implemented in practice. These actions are:

Collection and formalization of existing know-how on the practical operation of HVI systems into a written manual containing practical guidelines in sufficient detail that all HVI systems can be operated in the same way, according to standardized procedures.

Reevaluation of calibration procedures and, in particular, the provision of a new reference method for the testing of cotton fiber (bundle) strength.

Participation in the routine quality control system established by USDA to be made available to all the signatories to the Universal Grade Standards Agreement.

The Group decided that the initiative for continuation of the work be entrusted to USDA with the objective of trying to get standardization of HVI testing procedures included in the work of the Universal Grade Standards Committee. A new form of the Agreement was subsequently prepared by the USDA which would allow the inclusion of HVI standards into the work of the UGS Committee.

At the meeting in Memphis in June 1995 of the signatories to the Agreement a vote on the USDA proposal was delayed by 120 days to allow them to consult with their home organizations. Further progress with the work of the "Porto Group" will thus depend on the outcome of the vote.

#### **Contamination Survey 1995**

The survey which ITMF released in 1995 is the fourth in the series and covered 83 cotton descriptions which were evaluated by 275 spinning mills located in 26 countries. As each mill had

on average consumed six different cotton in the twelve months prior to the survey, each of the 83 descriptions were evaluated on average by some twenty mills.

#### **Contamination - Deterioration**

Raw cotton supplies have become more contaminated by foreign matter during the last two years. The cottons evaluated in 1995 were in 6% (1993:4%) of all cases found to be seriously contaminated by sixteen different sources of foreign matter, a further 13% (1993: 11%) were moderately contaminated, leaving 81% (1993: 85%) only insignificantly or not at all contaminated. As these summary data are arithmetic averages, the extent of contamination is only fully illustrated by the results for the individual contaminants, which range from a mere 4% (1993: 2%) for "tar" to no less than 34% (1993:29%) of all deliveries being either moderately or seriously contaminated by "organic matter," e.e. leaves, feathers, paper, leather, etc. Other serious contaminants are strings and fabric pieces made of jute/hessian, woven plastic, cotton and plastic film. Sand, dust, grease and oily substances are also sources of concern.

During the last two years, no improvement was recorded for any single type of contamination. The most contaminated descriptions continue to originate in India, Turkey, Pakistan, Sudan, Egypt and China. To this group must now be added cotton from the former USSR, which in earlier surveys ranked among the cleaner. Very clean cottons can be found in Argentina, Mozambique, South Africa, USA, Australia and Zimbabwe.

#### **Stickiness - Improvement**

In the 1995 survey, 20% of all evaluations point to the existence of stickiness in the delivered cotton. This is a clear improvement compared to the results of the 1993 and 1991 surveys, which were 26% and 27% respectively. But sticky cotton remains a serious problem for cotton originating in Sudan, Cameroon and Mali with values of over 50%, whereas values of 33%-48% were measured for Arizona (USA), Chad, Burkina Faso, Tanzania ((Mwanza), Central African Republic and Pakistan (NAIB). Moreover, in sharp contrast to the general trend, the value for the former USSR (medium staples) rose from 24% in 1993 to 34% in 1995.

#### **Seed-coat fragments - Increase**

The presence of seed-coat fragments has risen steadily from 34% in 1991 to 36% in 1993 to 39% in 1995. The problem remains most serious in India, Sudan, Tanzania and Pakistan, but extends to a number of other important cotton-growing nations of the world. Cottons with virtually no seed-coat fragments included Burundi, Central African Republic, China (Shandong), Rio Grande Valley (USA) and Cameroon.

### Growing Impact of the Survey

While on the surface little would seem to have changed in the level of contamination overall since ITMF started with the survey eight years ago, an increasing number of signals are being received by the Secretariat which indicate a growing awareness of the survey's existence. With every edition of the report, the number of reactions received from cotton growing countries is rising, many of which have emphasized the importance they attach to the findings. We cannot stress enough the fact the contamination continues to be by far the most serious problem to spinners, causing the industry every year heavy losses, most of which they cannot recoup under the present trading rules and conditions. We therefore urge once again all cotton producing countries to see to it that proper programs be put in place that permit inspection of the cotton at each handling stage from growing to picking, ginning, baling, warehousing and transportation. The enormous differences in the level of contamination between countries and growths as shown by the ITMF survey are an indication that contamination is not a necessary evil but can be controlled given the necessary determination.

### Statement of CIRAD-CA

Can the Production of Organic Cotton be Sustained?

Recently, we have witnessed the development of projects concerning the production of organic cotton. It is essential to define what those who use this term actually mean.

Is the very idea of producing organic cotton, i.e. cropping without the use of chemical inputs, compatible with the development of sustainable agriculture, the major challenge now facing numerous developing countries?

Soil fertility, in the absence of fertilizers, can only be maintained in traditional farming systems where land pressure is low, allowing for long fallowing periods of about ten years alternated with short cropping periods of two to three years. Once cropping becomes a continuous process with short fallow periods, soil fertility decreases if mineral fertilizers are not employed. This phenomenon may be retarded by using the fertility transfer capacity of manure from animals that have grazed pasture lands. However, the quantity of nutritive elements contained in organic manure is insufficient to replace the minerals extracted during the harvesting of crops, particularly at the productivity levels generally reached.

Similarly, the cotton plant is particularly susceptible to attacks by pests. It is not unusual for losses to reach 50 to 80% of the potential harvest, and the quality of the fiber is affected. Protection against insects therefore involves a considerable proportion of the technical practices employed

in the large-scale cotton-growing areas of the world. Biological pest control methods used alone—and calling on entomophagous auxiliaries and on entomopathogenic agents—are not well adapted to intensive agriculture.

Examples of cotton crops that could be labeled as organic do exist: traditional extensive cropping of *Gossypium hirsutum* in Africa without fertilizers or pesticides but with yields of about 300 kg of seed cotton/ha, or extensive cropping of *Gossypium arboreum* in south-east Asia, with even lower yields.

Some intensive crops can escape the pests, i.e. in countries whose cold winters render it difficult for the pest to survive. This is the situation in Syria, in Xin Jiang and in the Asian countries of the CIS.

In all other production areas, abandoning the use of pesticides leads to production losses as soon as a certain intensification threshold has been reached. Some have proposed using insecticides of a biological origin, generally of a vegetable nature e.g. azadirachtin, rotenone or pyrethrum, in order to preserve the organic label. However, these pesticides are only one step away from the corresponding synthetic compounds and the risks for the useful entomofauna and for the environment are far from being negligible. For us, this type of cotton does not correspond to the spirit of biological agriculture.

In view of the fact that a market does exist for organic cotton, and that it would be desirable for this crop to be made sustainable, the problem initially posed is fundamentally economic. The price paid to the producer must allow him to compensate for losses due to the extensification of his crops, this resulting in lower returns from his land capital and lower production levels with more unpredictable product quality. If productivity and quality are to be improved using biological methods such as the creation of high performance but hardy plants, the use of entomophagous or entomopathogenic auxiliaries, or even the use of genetically transformed cotton plants which express *Bacillus thuringiensis* toxin or other lethal factors (protease inhibitors, lectins, venom, etc.) production costs here again would be increased and would need to be recovered in the sale price.

For its part, CIRAD-CA, while exploring all these research fields, has also committed itself to other programs in cooperation with its partners in research and development. This is particularly the case in Africa, where these programs are attempting to integrate different factors intended to develop sustainable agriculture that conserves the environment: maintenance of soil fertility by the development of more conservationist agro-silvi-pastoral systems, reduction of pest incidence by better adapting technical practices and varieties, pesticide use reduced to a strict minimum by development of new treat-

ment techniques, the first step towards veritable integrated management.

The examples provided by the development of these techniques show that cotton cropping can be both productive and a small consumer of chemical inputs, while nevertheless meeting the requirements of sustainable agriculture.

## Fourth Plenary Session

### Textiles and Clothing Trade Following the Establishment of the World Trade Organization

A Paper by the Textiles Division of the WTO

#### Introduction

The first of January 1995 saw the establishment of the World Trade Organization and, with it, the entry into force of 29 individual agreements governing trade in goods and in services, and trade-related intellectual property rights. Added to these are more than 25 Ministerial declarations, decisions and understandings. In broad outline, the WTO is the legal and institutional foundation of the multilateral trading system. It provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations. It acts as a forum for multilateral trade negotiations, for resolution of trade disputes, for overseeing national trade policies and it cooperates with other international institutions involved in global economic policy-making. This first year has seen rapid activity as 109 countries and territories have already joined the WTO while around thirty others are in the process of ratification or are engaged in accession procedures.

The system of global trade rules and commitments as embodied in the WTO is crucial for both developed and developing countries. The more economic activity becomes global the more it needs the security and certainty of global rules. The WTO's rules are the latitude and longitude by which the global economy will be mapped out.

#### Global Trade Developments

Experience confirms that trade has consistently been the leading edge of the world economy, moderating the global slowdown after 1989, and subsequently boosting recovery. For example, world trade expanded strongly in 1994—the volume of world merchandise exports grew by 9 per cent—more than twice as fast as in 1993. Trade growth, which has been higher

than output growth, is a reflection of the continuing integration of national economies, relying more and more on external markets as sources of economic growth.

WTO's trade liberalizing concessions and commitments bring a new dynamism to the world trading system through improved and expanded opportunities. They also bring a new stability, through reinforced rules of law in international trade. In turn, expanded trade promotes growth. This is done through many channels: developing increased specialization; allowing the realization of comparative advantage; increasing the diffusion of international knowledge; and encouraging increased efficiency in the domestic economy as a result of international competition. Open and rule-based trade drives growth both directly, through its impact on resource allocation and efficiency, and indirectly, by raising the returns on investment.

Looking ahead, WTO economists anticipate world income gains from trade barrier reductions in the goods area alone of \$510 billion over the next decade. More open and secure markets for trade in goods and services will provide the incentives for enterprises to boost capacity, bring down their costs and compete more effectively on world markets. Better access to the world market and a global framework for the protection of intellectual property rights will also raise the incentive to invest in research and development projects. These factors should combine to set the world economy on a higher non-inflationary growth path for the years ahead. All WTO Members thus have a clear interest in ensuring that the implementation and operation of the agreements administered by the Organization is a success.

### Textiles and Clothing Trade Developments

Turning from the broad aspects of global trade to the more specific situation in textiles and clothing trade, recent trends are characterized by continued growth globally and a further expansion in both export and import activity. World trade reached a total of \$248 billion in 1993 (textiles \$115 billion, clothing \$133 billion), representing a 45 per cent increase in value over 1988 and a 160 per cent growth from 1980. This trade has achieved a considerably better record than total world merchandise trade which increased 31 per cent between 1988 and 1993, and 84 per cent from 1980 to 1993.

It is also noteworthy that clothing trade has advanced at a faster rate than textiles trade. Between 1980 and 1993, textiles trade grew by 110 per cent, while clothing trade advanced 228 per cent. Another revealing development has been the shift in world trading patterns, particularly favoring a number of Asian countries. In 1992, about 34 per cent of textile exports and

about 47 per cent of clothing exports originated in Asian developing countries.

All of these developments have taken place while much of world trade in textiles and clothing was governed by the rules of the Multifibre Agreement. While it can be claimed that the MFA provided an element of certainty, predictability and transparency and has permitted substantial growth as more and more countries entered and expanded their participation in this trade, the bilateral quota system on which the MFA was based certainly limited the operation of normal market forces and the full application of comparative advantage to this sector. Over the past two decades, the repeated shifts in production and trade, particularly in clothing, with a number of new exporters entering the scene during the MFA period, was in large measure a result of the quota limitations on the traditional suppliers. There have been extensive adjustments in the industries of the developed countries in the face of this changing competitive environment as they have shifted to high technology and "market niche" products and adopted flexible production and delivery processes.

The MFA was re-negotiated and extended a number of times. Now it is history—terminated on 31 December 1994 after twenty-one years of operation. Its complex network of bilateral and discriminatory quotas maintained by industrialized countries largely on exports from developing countries—derogations from the fundamental GATT principles—is being replaced by a truly, once and for all, multilateral set of rules and disciplines for textiles and clothing trade. This will afford considerably more predictability than hitherto, for investors, producers, traders, and governments alike. The transition toward full application of GATT rules has commenced through the working of the WTO Agreement on Textiles and Clothing. The process will continue over the next decade, culminating in the expiry of this instrument and full *integration* of this sector into GATT rules by 1 January 2005.

### The WTO Agreement on Textiles and Clothing

This gradual integration program takes place in stages as follows: on 1 January this year, 16 per cent of the volume of 1990 imports of the products covered by the Agreement was integrated, a further 17 per cent will be integrated on 1 January 1998, a further 18 per cent on 1 January 2002 and, finally, the remaining 49 per cent on 1 January 2005. As a product is brought under GATT rules it is removed from this Agreement, any quotas on it have to be terminated, and any subsequent protection will have to be based on the general GATT Safeguard Agreement (see under "Some of the Other WTO Rules," below). An importing country decides by itself which products it will integrate at each stage to reach these minimum thresholds. The only constraint

is that they must encompass products (one or more) from each of the four groupings: tops and yarns, fabrics, made-ups and clothing.

The quotas, including the growth and flexibility rates stipulated in the MFA bilateral agreements in force on 31 December 1994, have been carried over into the new Agreement. These form the starting point for an automatic liberalization process whereby each of the former MFA growth rates applicable to these quotas are increased at the outset by a factor of 16 per cent for the first three years; they will be further increased by a factor of 25 per cent for the next four years; and by a further 27 per cent for the last three years. To illustrate this process, a 3 per cent growth rate under the MFA for a particular product in 1994 has become 3.48 per cent and will be applied each year 1995/96/97, then it will be increased to 4.35 per cent for each year 1998/99/2000/01; and then to 5.52 per cent for 2002/3/4. A 6 per cent growth rate in 1994 will become 7 per cent, 8.7 per cent and 11 per cent respectively.

Quantitative restrictions other than those under the MFA which a country might have in place and which cannot be justified under a GATT provision must either be brought into conformity with GATT within one year or phased-out within the ten-year transitional period.

There are rules and procedures concerning circumvention of quotas, on their administration (which will remain with the exporting countries) and a provision referring to the fulfilment of commitments undertaken in other areas of the Uruguay Round as they relate to textiles and clothing.

The Textiles Monitoring Body is a standing body consisting of a Chairman and ten members who discharge their functions on an *ad personam* basis. It performs a conciliatory and quasi-judicial role, settling disputes, supervising the implementation of the Agreement and examining all measures taken under it and their conformity therewith. If, after TMB recommendations, a matter were to remain unresolved, it may be brought before the WTO's overall Dispute Settlement Body.

It is perfectly normal, and even necessary, that agreements which liberalize trade should contain safeguard clauses to protect against unforeseen developments. The special safeguard in the Textiles Agreement protects against damaging surges in imports during the transition for products not already under restraint and which have not yet been integrated into GATT.

Put very simply, the special safeguard is based on a two-tier approach. First, the importing country must determine that a particular product is being imported in such increased quantities as to cause serious damage, or actual threat thereof, to the domestic industry. Thereafter, it

must proceed with a second step to determine the specific exporting country or countries to which this damage is attributable. There must be a sharp and substantial increase in imports, actual or imminent, from such exporters. In taking safeguard action, consideration must also be given to the level of imports from other sources, prices and market shares, as well as other factors and criteria enumerated in the Agreement. The importing country must consult with the specific country(ies) to which serious damage is attributed. If agreement is not reached within 60 days, unilateral action may be taken, but at the same time the matter must be referred to the TMB for prompt review.

When this transitional safeguard clause is used, account shall be taken of the interests of certain categories of suppliers such as least-developed countries, small suppliers, new entrants, and wool producing countries subject to certain criteria, and re-imports from outward processing trade.

There are of course a number of other provisions and fine nuances in an Agreement such as the Textiles Agreement. The above explanations represent a broad outline of the main points.

#### Some of the Other WTO Rules

The impact of the Textiles Agreement cannot be considered in isolation but must be weighed in the context of the total package of market opening and trade liberalization measures, along with the strengthened and expanded trade rules which emerged from the Uruguay Round. While the MFA stood alone, a derogation from the GATT principle of non-discrimination, the new Agreement is an integral part of a *single undertaking*, whereby membership in the WTO automatically entails accepting all of the agreements which form part of the WTO Agreement. The full influence of these strengthened multilateral rules and principles will guide the textiles and clothing sector into a new era. This should have important positive implications for traders.

For example, "grey area measures," such as voluntary export restraints, are prohibited under the Agreement on Safeguards and cannot be used when products are removed from the Textiles Agreement and integrated into GATT. With the phasing-out of bilateral restraint agreements, the Safeguards Agreement is the only instrument of protection available against injurious *fairly traded* textile goods. Safeguard measures cannot be imposed without an investigation; they have to be temporary; once imposed they cannot be reimposed on the same product for a certain duration and measures imposed for more than one year have to be progressively liberalized.

Other examples are the revised Agreement on Subsidies and Countervailing Measures, whose new rules provide clear definitions and considerable procedural detail which ensure due proc-

ess and transparency. The new Anti-Dumping Agreement sets out rules for a system which is more predictable, more transparent and contains precise rules thus removing many uncertainties which existed under the former text. The revised Import Licensing Agreement aims at ensuring that the procedures applied for granting import licences do not act as additional restrictions over and above those which the licensing system administers. It strengthens the disciplines on the users of import licensing systems and increases transparency and predictability. The Agreement on Technical Barriers to Trade is intended to ensure that technical regulations and standards, including packaging, marking and labeling requirements, and procedures for assessing conformity with such regulations and standards do not create unnecessary obstacles to international trade. It requires that in preparing technical regulations, Member countries have to take into account the interests of trading partners.

The Trade-Related Intellectual Property Rights (TRIPs) Agreement lays down minimum standards of substantive protection that must be provided in national law of each Member, at a level broadly comparable with that in the main industrial countries today. It represents a major advance concerning standards of protection to be given to trade marks and industrial designs. Procedures and remedies must be available in each country for effective enforcement of protection against, among other things, counterfeiting, in respect of which criminal proceedings shall have to be provided, as well as customs measures at the border. There is a special additional provision relating to textile designs aimed at making sure that procedures for obtaining protection for such designs are not so burdensome as to render their use infeasible.

An over-arching Dispute Settlement Understanding has been established to ensure compliance with all of the rules for trade in goods, trade in services, and those concerning intellectual property rights. It provides for faster and more automatic adjudicatory procedures and effective enforcement of the rules.

#### Improved Market Access

Future developments will not only be influenced by the new rules under the WTO and governments' implementation of these rules. The Uruguay Round will also lead to major advances in improving access to foreign markets for all exporters. There have been extensive reductions in tariffs, even in textiles and clothing, traditionally a particularly sensitive area. Like the phase-out of MFA quotas, the opening of markets in terms of tariff reduction will be gradual.

The combined effects of the removal of MFA quotas in main export markets plus the lowering of tariffs globally will result in a considerable market opening to the benefit of this sector. The phase-out of the MFA is considered to be of even

greater significance than the reduction in tariffs in the industrialized countries; the tariff equivalent of export restraint arrangements negotiated under the MFA is in most cases higher than the tariff itself. Over the next ten years, according to a GATT Secretariat analysis, "the largest increases in trade are projected to occur in the areas of clothing (60 per cent) and textiles (34 per cent)..."

#### Some Additional Notable Factors

The Textiles Agreement cannot be extended. Discrimination between countries, which has been the characteristic of the textile trade for three decades, will be brought to a definitive end at the expiry of the transition period. This commitment, in itself, is of great value for the multilateral trading system.

In spite of the limitations of the MFA, clothing trade has, as mentioned above, grown at a much faster rate than world merchandise trade over the past two decades while textiles trade has kept pace. The politically imposed trade restraints have, nevertheless, created dislocations in manufacturing activities and instability in the channels of global distribution. The industry will increasingly be freed of such dislocations.

Concern has been expressed that a large portion of the most sensitive products will remain un-integrated until the final stage, thus retaining quotas on the products of greatest export interest, even to the end of 2004. While this concern remains valid, it is also true, however, that the progressively increasing quota growth rates are automatic. The degree to which such increases in growth rates would mitigate the restrictive effects of the quotas and thus facilitate their being terminated would depend on individual growth for particular goods from individual countries in the markets where there are restrictions. It would also depend on the initial quota level. Generally, countries with high quotas have lower growth, while countries with high growth in their agreements have lower quotas to begin with.

It is too early to say what the combined and more detailed effects of integration and growth processes will be. The final integration programs for subsequent stages are not yet fully known, and quotas may be lifted or products could be integrated into GATT earlier than provided originally. What seems clear in more general terms, however, is that the progressive integration of products over a ten-year period and the enlargement of remaining quotas until they are removed prevent—at least as far as the multilateral rules are concerned—any sudden or disruptive shocks to the trading system. For the competitive producers in the exporting countries, the back loading of the integration process under the Agreement is certainly not an advantage. For other producers, in any country,

it should provide sufficient additional time to adjust.

More liberal textiles and clothing trade will, naturally, pose challenges for companies in defining or redefining their respective competitive positions *vis-à-vis* old and new competitors and in formulating the right investment, product and marketing strategies. Companies in both developing and developed countries are likely to feel the harsher winds of competition. Textiles and clothing industries are likely to continue their migration to the most cost effective production areas. The markets will become even more complex, geographically and product-wise. Changes in technology, product and process innovations, conditions of finance and quick response to customers' needs, or even creation of new customer opportunities, will become more decisive factors than hitherto. Changes in fashion and design affect not only clothing producers but also fiber, yarn and fabric producers. Decisions on alternative strategies on where to manufacture and where to source are also becoming more complex as companies take into account a whole variety of factors—reliability, transport time and logistics, retailing customers' shifting strategies and the need to stay close to season and to avoid large stocks, currency fluctuations, inflation prospects, the effects brought about by increased income levels in present and potential export markets, overall impacts of global economic cycles, political stability and so on.

One unknown factor concerning the textiles safeguard clause at this point is the extent to which this clause will be used in the years to come. A number of countries which never used or had no need to use the MFA to protect their industries now have improved access opportunities to their own markets and therefore increased vulnerability to imports. The safeguard clause in the Textiles Agreement cannot be applied if the particular product is already restrained; however, restrictions inherited from the MFA in developed country markets do not cover all products or all exporters, and the safeguard clause would therefore be available, if the criteria are met. In fact, one country, the United States, has already applied the safeguard clause to a number of product categories and with respect to imports from a number of countries.

Another important unknown factor is the terms under which important textile traders like China and China (Taiwan) will become members of the WTO and participate in the multilateral trading system. This, of course, also applies to other potential WTO Members like the Russian Federation, Vietnam and more than twenty other governments which are today in various stages of the process of accession.

### Concluding Remarks

The World Trade Organization stands as testimony to the willingness of governments to ac-

cept disciplines in international trade in return for the benefits they derive from membership. The WTO will not only help keep global trade open but will also provide for the first time a permanent basis for keeping trade policies in line with changing global economic realities. It is not a once-for-all achievement; rather, its evolution and adaptation must be constant and unceasing. Creating an environment that will permit a more efficient allocation of resources, maintaining sustainable economic growth, and rising standards of living is what the World Trade Organization is all about. In fact, the Ministers, when adopting the Marrakesh Declaration of 15 April 1994, affirmed that the results of the Uruguay Round were to "strengthen the world economy and lead to more trade, investment, employment and income growth throughout the world."

Textiles and clothing trade will gradually be joining the mainstream of global trade activity under the full influences of market forces and competitive advantage. The Agreement on Textiles and Clothing provides the transitional vehicle to move from the extensive network of bilateral quotas to full application of the multilateral and non-discriminatory rules. Moreover, traders should benefit in the coming years from an atmosphere of trade liberalization supported by the stricter and clearer rules embodied in a number of other agreements under the WTO. In spite of future challenges and unknown factors, a truly multilateral set of rules and disciplines for textiles and clothing trade with a more open structure, driven by market forces, will provide improved legal certainty and better predictability to plan for the future. This will no doubt benefit both industrialized and developing countries.

### Statement of Japan

Yesterday, we had the opportunity to listen carefully to the cotton production perspectives from various producing countries. My delegation was pleased to hear that producing countries are making efforts to meet consumers' and importers' needs. As an importer of cotton, my country attaches great importance to the sanctity of contracts and the stable supply of high quality cotton at reasonable and stable prices.

As the Executive Director pointed out in his report yesterday, the interest of both producers and consumers and the competitiveness of the industry will be best served if governments make all necessary efforts to honor the sanctity of contracts. As you may remember, last year we had an intensive discussion on this issue and as a result of the discussion we adopted a resolution. However, the adoption of a resolution should not be our final goal and we urge all members of the ICAC to make their utmost efforts to honor the sanctity of contracts which is the prerequisite for the promotion of cotton trade.

There are two industry representatives in my delegation. Please do not hesitate to contact them if you need the latest information concerning the Japanese industry.

### Statement of Brazil

The Brazilian delegation would like to convey its appreciation to the ICAC Secretariat as well as to the invited speakers for this very important session on risk management in the cotton industry. It is the opinion of this delegation, however, that although the futures market offers a significant tool to the cotton trade as well as to large cotton producers, the benefits to small farmers worldwide, and particularly in developing countries, are clearly limited. Due to difficulties in communication and the complexity of operations, the margin calls would create almost unsurmountable problems to the small farmer.

To give continuity to this important subject, however, we would like to suggest that ICAC invite representatives of the international cotton trade to demonstrate how, as intermediaries in the cotton chain, they could assist producers worldwide in price protection without such complications.

We would like to suggest a future session at the next plenary meeting that could be titled "The Marketing and Promotion of Cotton," which could include our previously stated proposal as well as such topics as the use of HVI test data as a promotion tool.

The Brazilian delegation feels that the promotion of these and other concepts, which could be included in the next plenary meeting, can contribute to maintain and even improve cotton's position as the most important worldwide textile fiber.

## Fifth Plenary Session

### Cooperative Activities in Turkey

Cihan Altinoz  
TARIS

The short history of cooperative activities in Turkey has been commenced in the first half of the 1800s. It was a country cash box which was established in 1863 through the efforts of General Mithat At Piroat at the village of Nis State.

At the beginning of the year 1900, in the Aegean region west of Turkey where the Taris organization is based, agricultural cooperative actions were started among fig producers as Taris first mortar. During First World War, fig producers came together and established the

first agricultural sale cooperative under the name of Aydin Fig Producers Partnership. This movement was developed and strengthened to create the Taris of today.

Important events of cooperative activities started happening during the republic period: agricultural sale cooperatives and union laws were issued under Law No. 2834, the Agricul-

tural Credit Cooperatives Law was issued in the year 1935 and agricultural sale and credit cooperatives started being established in every part of the country.

## Statements to the Steering Committee

### Second Meeting

#### *Reports from the Secretariat*

#### Working Paper II

### Work Program and Budget of the Committee

I reviewed the major activities of the Secretariat of the Committee in my report at the beginning of this Meeting. The work of the Secretariat is well documented in the publications of the Committee, the reports made to the Standing Committee during the year and its innovative efforts to provide information on cotton to industry participants.

A number of reports have been prepared for this meeting to inform delegates about the financial condition of the Committee and steps which have been taken and which may need to be taken in the future to keep the financing of the Committee's activities consistent with the changes which are taking place in today's world.

First, as reported in Working Paper III, the efforts of member governments to bring their debts up to date, in a clear sign of support for the work of the Committee, have restored the working funds of the Committee. The arrears of the Committee at the end of the 1994/95 fiscal year were lower than at any time since 1987.

It is hoped that it will not be necessary to suspend the membership of the four countries which have not made payments toward the settlement of their arrears. A reduced membership in the Committee is not in any government's interest, as the effectiveness of the forum for discussion is diminished while the costs to remaining members rise. It is for this reason that the Committee has been reluctant to suspend members in the past.

On a more positive note, the Secretariat has been in contact with a number of governments during the year with a view to encourage their membership in the Committee.

Discussions have been held with representatives of the Governments of Azerbaijan, Bolivia, China, Kirghizstan, Mali, Mexico, Tajikistan and Turkmenistan. Informal contacts were also continued with representatives of the cotton industries of Indonesia, Peru, Thailand and Venezuela. Out of these discussions, Bolivia has

joined the Committee and first steps toward membership have been taken by Mali and Tajikistan. While the Government of Mexico had originally been prepared to rescind its withdrawal from the Committee, the drastic drop in government budgets as a result of the financial crisis in that country at the end of 1994 became an impediment to continued membership.

The commodity world has changed greatly in the 56 years of the Committee's existence and it continues to change rapidly. Recent moves toward the privatization of commodity affairs in some countries, at the instigation of international financial institutions, affect the financing of ICAC affairs. Currently, of the 42 member countries of ICAC, payments of assessments are made by the ministries of foreign affairs, economics or agriculture of twenty-four countries (fifteen of which are primarily importers). In the other eighteen countries (all of which are primarily exporters), payments of assessments are made by cotton organizations, the majority of which are parastatals with responsibility for cotton marketing. To the extent that these parastatals are reorganized to have less involvement in marketing, their ability to pay assessment fees on behalf of their governments may become limited.

The International Cotton Advisory Committee has always cooperated with other organizations, public or private, national or international. Under the Rules, the nature of this cooperation is to be decided by the Standing Committee. Private organizations are currently invited to attend Plenary Meetings as observers, at no cost other than the not-so-modest cost of their travel and subsistence. Private organizations have from time to time expressed an interest in being a part of the ICAC and have applied for membership.

It may be that developing ways for greater participation of private organizations in the ICAC are now appropriate given the changes which are occurring in the relationship of governments to agriculture and industry in many parts of the world. One way might be the establishment of a new category of membership called "Consulting Members" which would entitle private organizations to receive all publications of the ICAC, to serve on a Consulting Council which would have the opportunity to make recommendations to the Steering and Drafting Committees and to attend meetings of the Steering, Drafting and Standing Committees as observers.

It is assumed that the price of being a Consulting Member would be somewhat less than the minimum assessment for a government, yet would entitle the member to all the publications and data of the Secretariat at a discount. This category of membership could be an option for individual newly private organizations in some member countries. Some existing cotton organizations could choose to become Consulting Members rather than to pay the fees as government members. Government members would under this arrangement continue to be the decision-making body of the organizations.

Second, I proposed in the budget for 1994/95 to charge a fee to observers and members of official delegations in excess of two at Plenary Meetings as a way to boost the revenue of the Committee and therefore hold down member government assessments. In return for the fee, these persons would receive full documentation (the cost of which exceeds the amount of the proposed fee). At the request of a delegate, this matter has been referred to the Advisory Committee for action. The background for this recommendation is included in Working Paper X.

Third, as a way to hold down the cost of ICAC operations, some delegates proposed that the Plenary Meeting be held in Washington DC in alternate years. While the costs to the Committee would be lower, the costs to participants and member governments would be higher, as computed in Working Paper IX. The Standing Committee has also referred this matter to the Advisory Committee.

Fourth, a report has been made on publication sales in Working Paper IV. Delegates will recall that beginning in July 1994, publications were restricted to member governments and priced to achieve additional income to hold down member government assessments. The policy was modified as a result of a decision by the Advisory Committee in Recife last year to increase the number of free copies of several publications available to member countries. Due primarily to the modification, it was not possible to achieve the full sales target in 1994/95; however, publication sales have exceeded last year's sales in the July-September quarter and it is expected that the 1995/96 sales target will be achieved.

Finally, a report has been made on the actions taken in regard to the Performance Audit of the

Committee which was conducted shortly before the 53rd Plenary Meeting. Unfortunately, there have been no net savings as a result of the audit. Working Paper V details the steps which have been taken to comply with the recommendations of the Auditor, which were largely adopted by the Standing Committee.

As the Auditor has determined, there are few opportunities for saving money in the operation of the ICAC without reducing services and effectiveness. The Secretariat will, however, be ever vigilant to find ways to reduce costs wherever and whenever it can. As a small organization we do not have much buying power, but we currently have the ability to be sufficiently flexible in our operations that we can be alert for opportunities for cost savings which might not be available to large bureaucracies.

The cost of the ICAC is minuscule in comparison to the value of the trade on which it is based. The assessment for 1995/96 is \$1,064,900, or 7/1000 of one percent of the \$14.7 billion worth of cotton trade on which it is based. We are not talking about a dollar a bale, or even a quarter a bale. We are talking about 3 US cents a 480 lb bale for cotton moving in the trade of member countries.

Furthermore, the budget of the Committee in real terms—after adjusting for inflation in the Washington DC area—is currently 4% below that in 1989/90. Longer term it is 18% below the budget in real terms in 1982/83 (see attached chart). Yet by paying attention to costs and being willing to try new ways of operating, the Secretariat has been able to continue the basic services of cotton information and servicing the Committee as a forum for discussion that were being provided in 1982.

Some reductions in services have been necessary as a result of efforts made to keep assessments from rising, even from artificially low levels. Economies have been made in language services associated with this Meeting and it has not been possible to fund the translation of statements made at the Meeting as directed by the 53rd Plenary. Furthermore, Secretariat personnel present to service the Meeting have been reduced by 25%. Monies available for staff to travel to member countries have also been reduced substantially for a second year. Fortunately, member governments and cotton organizations have individually covered parts of the costs of Secretariat travel expenses in several instances to permit continued Secretariat participation in training programs and outlook meetings.

We at the Secretariat think that our greatest impact on the cotton industry has been to improve decision making with regard to price. Utilization of the price forecasts of the Secretariat provided many opportunities to participants in the cotton market which would have paid the

entire budget of the ICAC several times over. However we recognize that the credit for these better decisions is rarely given to others and we are content to know that both buyers and sellers of cotton are better off as a result of our forecasts.

The Annual Review of the World Cotton Situation which was prepared for this meeting notes that the price forecasts made at this time have been 5% high on average. This average is insignificantly different from zero given the range of 27% too high to 18% too low since 1988. We do not pretend to be able to predict prices with accuracy, especially when no one knows at this time of year what final world production and consumption and trade will be. What we do offer is a consistent forecast of what current assessments of production and consumption mean for prices at any one point in time.

There is no dispute about the value of Secretariat efforts to get funding for cotton projects at the Common Fund for Commodities. This work has not been without cost. As the Chairman of the Standing Committee noted earlier in the Meeting, the costs of maintaining the relationship between the ICAC and the Common Fund has been \$136,000. However it has produced grants for member countries of \$9 million, assuming the current Cameroon-France project to be submitted to the Executive Board early next year is approved, for a benefit/cost ratio of 66.

Through the assistance of the Common Fund, the Committee is involved in important work to assist producing countries in the control of the whitefly, control of the boll weevil, combating a devastating virus disease which has the potential to reduce cotton output by 40% and in making cotton more marketable. Consuming countries will benefit from these projects by having greater sources of supply, lower costs and higher quality cotton to purchase.

Insects and disease are obvious problems which producers can readily appreciate. One problem which has been hard to sell is the potential loss of share of market. Declines in cotton's share of market in the 1960s led to concerted action among cotton producing countries, with the active participation of cotton consuming countries, in the 1970s and 1980s. Cotton's share rose from a low of 47% to 50% worldwide and has held close to this level in recent years. Lack of concern on the part of some, however, led to the cessation of international efforts in the 1990s. The consequence of this action may have hit home in 1994. As reported to you earlier, cotton's worldwide share has fallen to its lowest level ever—46%.

Part of the reason behind the share drop is price and supply difficulties that will be worked out in coming seasons. But other factors are at work, and cotton has become significantly less competitive in many regions of the world. Environmental concerns may be a factor, especially as

the greatest declines in cotton share have occurred in Europe where these concerns seem to be most intense.

If the Committee is to continue to address those problems which impede the functioning of the cotton economy, it will have to address cotton's declining share. If the budget of the Committee is to be financed only by governments, there are likely to be few additional resources available to address new problems without changing the priorities of the Committee.

In discussing the budget and work program of the Committee in the Standing Committee earlier this year, Mr. Yawata noted that it was not the responsibility of the Executive Director to set the priorities but rather it was the responsibility of the member governments to determine what work is most important.

The Secretariat is prepared to work with delegates to this meeting to define those areas of greatest concern to member countries and to prepare budgets for future years which will set strategies to work on the most pressing problems of cotton.

I urge you to focus on the functional activities of the Secretariat—Economics and Statistics, Technical Information and fostering discussion and cooperation in the resolving of cotton problems through the forum of ICAC—rather than on the mechanics of how we do our work.

I do not think it is useful for you to focus your energies on whether the Secretariat is paying too much for office space or traveling too much or buying too many computers. I would be happy to go into details again about the savings which we have made on office rent or point out that travel as a percentage of the budget is no higher than it has been for the last 20 years or stress the importance of computers in reducing the cost and increasing the effectiveness of everything we do. I think you should leave the management of the Secretariat up to management, subject of course to review in the course of budget approval and audit.

What I hope that you, as member governments advised by the cotton interests in your countries, will do is consider what the problems of cotton are in your country and consider how the Committee can help to solve them. Then let me and other countries know. Together we can work to make cotton a lasting source of income and employment for millions of persons in our countries.

### Working Paper III

## Financial Condition of the Committee



Concern was expressed at the 53rd Plenary Meeting about the financial condition of the Committee, namely the growth in arrearage and the excess of disbursements over receipts in the 1993/94 fiscal year. In order to focus attention on the problem, the status of arrears in the payment of assessments was reported to each meeting of the Standing Committee in 1994/95, in addition to the regular reports made quarterly.

The Secretariat is pleased to report that, due to efforts of the delegates to the Standing Committee and Member Country Coordinating Agencies, payments of assessments during 1994/95 exceeded disbursements by over \$300,000, restoring the working funds of the Committee which had been depleted in 1993/94 due to the decision of the Standing Committee to finance part of the budget with working funds and slower-than-normal payment of assessments. The financial report of the Committee as of June 30, 1995, is attached.

In addition, the arrears of member governments at the end of the 1994/95 fiscal year were, as a percent of the annual assessment, at the lowest level experienced in the last ten years. The Secretariat would like to thank those delegations which have made payments of arrears for their contribution to the continued financial health of the Committee.

The arrears of member governments in the payment of assessments are shown below.

On June 30, 1995, twelve countries were in arrears for the payment of the 1994/95 assessment: Argentina, Brazil, Colombia, Greece, Guatemala, Iran, Nicaragua, Pakistan, Poland, Sénégal, Turkey and Uganda. Payments have been received after June 30 from Brazil, Colombia, Poland and Uganda. Four of the remaining countries, Guatemala, Iran, Nicaragua and Sénégal were in arrears for more than 12 months on March 27, 1995, except for a minimal amount, and were notified, under the Rules, that the provision of documents and other services would be discontinued on September 27, 1995, and membership suspended on March 27, 1996, unless payment is received. It is hoped that payment will be received from these countries and that these steps will not be necessary.

By June 30, 1995, 80% of the 1994/95 assessment had been received. In addition, 23% of the 1993/94 assessment and 5% of the 1992/93 assessment were paid to the Committee in 1994/95. These amounts were above the normal percentages of collection.

The budget of the Committee is financed through payment of assessments and other income. Other income is composed of interest income primarily on the Reserve Fund and publication sales. This income totaled \$120,368 in 1994/95. While the current assessment is calculated to equal the budget less other income,

governments generally pay only a portion of the assessment in the first year with the remainder of the budget financed from payments of prior year assessments or payments in advance. In 1994/95, 80% of the assessment was received as payment of the current year's assessment, 29% as payment of prior year assessments and 25% as payment of assessments in advance. These receipts totaled 134% of the assessment in 1994/95, above the 102% of the assessment which has been received on average since 1977/78.

Current working funds, given expected expenditures and assumed payment of assessments based on the average experience of the Committee, should prove adequate to run the operations of the Committee in the period through June 30, 1996. It is not anticipated that there will be any need to ask the Standing Committee for a temporary transfer of funds from the Reserve Fund to the Working Fund during the 1995/96 fiscal year.

#### Working Paper IV

### Publication Sales

The budget of the Committee for 1994/95 which was approved by the Standing Committee on June 28, 1994, restricted the number of publications provided by the Secretariat to member governments to one per country in order to raise additional revenue in face of the unwillingness of some countries to pay an increased assessment. Organizations within member countries which had previously been receiving copies of *COTTON: Review of the World Situation* and *World Statistics* and *THE ICAC RECORDER* were notified that these publications were now available for sale. Publication sales, which had in 1992/93 produced revenue of \$20,000, were budgeted at \$120,000 in 1994/95.

At the 53rd Plenary Meeting, a number of countries objected to the limited number of publications being provided to member countries. It was proposed and agreed at that meeting that the number of copies of *COTTON: Review of the World Situation*, *COTTON: World Statistics* (now a separate publication) and *THE ICAC RECORDER* available to the member countries without cost be increased to ten. The Secretariat calculated that publication sales would decline by about \$30,000 as a result of this decision.

Actual publication sales in the 1994/95 fiscal year ending June 30, 1995, were \$94,000, \$26,000 below the original budgeted total, but \$4,000 above the adjusted budgeted total of \$90,000. Publication sales were budgeted at \$90,000 in 1995/96.

*COTTON: Review of the World Situation* re-

mains the largest seller, followed by *COTTON: World Statistics* and the Monthly Update of *COTTON: Review of the World Situation*. Of the reports which are prepared for the plenary meeting, *World Textile Demand* has produced the largest amount of revenue.

ICAC publications are now available in a variety of forms: Printed copies, which are mailed with delays which sometimes seem inexplicable; by fax, which continues to improve in many countries; on CD-ROM, a convenient form for historical data; by modem for direct access to data bases; and now on the Internet.

The Secretariat currently uses a private mailing service to airmail ICAC documents to member countries. A survey of the mailing performance of the May/June Review indicated that the range of mailing times is from 3 days (Turkey) to 57 days (India). The average mailing time to Europe was 12 days; South America, 22 days; East Asia, 13 days; and Africa and South Asia, 33 days. There was substantial variation in mailing times to addresses in the same country (3-13 in the United Kingdom, 11-32 in Spain, 16-57 in India). Survey responses are likely to be biased upward, as respondees with long mailing times are more likely to reply than those receiving satisfactory service, but clearly the long times revealed by the survey are unsatisfactory. Efforts will continue to find ways to speed delivery of mail publications.

Direct access to ICAC data bases by telephone modem is now available. The user pays for all telephone costs. Telephone costs may be minimized by downloading files to local computers and consulting or printing them locally after the telephone connection has been ended. Modem access provides the most current access to ICAC data as files can be updated daily.

The second volume of Documents of the ICAC on CD-ROM was issued in April 1995. This disc includes updated reports through April 1995 and additional historical data. Included were *COTTON: Review of the World Situation*, *COTTON: World Statistics*, updated tables in *World Textile Demand* and *World Cotton Trade, Proceedings of the Plenary Meeting*, including *Country Statements* and *Papers from the Technical Seminar*. All documents of the Standing Committee are also on the CD-ROM. Documents on the CD-ROM are read through the use of a software program called Acrobat Exchange, the reader for which is provided on the CD-ROM. Statistical tables on the CD-ROM are also provided in WK1 format for utilization by spreadsheet programs such as Lotus 1-2-3.

In September 1995, ICAC publications became available on the Internet through the Committee's "home page" on the World Wide Web. This page can be accessed at address <http://www.icac.org>. Mail, fax or CD-ROM

publications can be ordered on the Internet or subscriptions to Internet publications entered. *COTTON: Review of the World Situation, Cotton: World Statistics, THE ICAC RECORDER* and tables from *World Textile Demand* and *World Cotton Trade* can be viewed directly over the Internet. Accessing publications through the Internet is one way to avoid the long delays experienced with mail publications. While Delegates to the Standing Committee and Coordinating Agencies have passwords to allow them unlimited access, other persons wishing Internet access to ICAC publications receive passwords after making appropriate credit card payment.

The value of ICAC publications provided to member countries at their current prices is currently \$15,040. This amount is greater than the annual assessment of a quarter of the member countries of the Committee.

## Working Paper V

### Performance Audit Actions

The Standing Committee at its 407th Meeting in August 1994 authorized a performance audit of the Committee in connection with the regular audit of the financial statements of the Committee and its Staff Retirement Plan. The Standing Committee hired the Washington DC firm of McQuade and Drolet to conduct the audit. According to McQuade and Drolet, the purpose of the audit was to determine that ICAC is acquiring, protecting and using its resources (such as personnel and property) economically and efficiently, to determine the causes of inefficiencies or uneconomical practices and to comment, where appropriate, on areas of concern regarding deficiencies in the operating procedures and policies of the organization. The report of the performance audit, together with a series of recommendations, was presented to the Standing Committee at its 408th Meeting in November 1994. The Standing Committee adopted the recommendations of McQuade and Drolet, except for one. A report of the recommendations and the actions taken by the Secretariat follows:

#### 1. Adoption of an Accrual Basis of Accounting

The Rules and Regulations specify that "expenditures shall be debited to the accounts of the fiscal year in which payments are actually made" and that "receipts shall be credited to the accounts of the fiscal year in which funds are actually received" (Article VIII, Section 3, a and b). This language is the justification for the use of cash accounting as opposed to generally accepted accrual accounting. A review of the records of the Committee suggests that it was the intent of the Committee to make sure that expenditures did not exceed actual cash resources.

McQuade and Drolet recommended converting to an accrual basis of accounting. Adopting this recommendation would require an amendment to the Rules and Regulations. It was agreed by the Standing Committee that, in lieu of adopting the recommendation, the Secretariat would present parallel accounts on a cash and accrual basis for the information of the Standing Committee. Time did not permit the preparation of such accounts for the quarter ending March 31. Accounts for the year ending June 30, 1995, are being prepared and it is planned to submit them to the Standing Committee at a meeting in September prior to the 54th Plenary Meeting. It is estimated that the Secretariat has currently invested 124 man-hours of time in this work, at a cost of \$6,169. Continuing to produce accounts on an accrual basis is expected to represent an annual effort of 192 man-hours, at a cost of \$9,250.

#### 2. Separation of the Working Fund and the Reserve Fund

Since a Reserve Fund was first established, all funds of the Committee have been commingled. The working fund has been calculated by subtracting the amount of the Reserve Fund from total funds. McQuade and Drolet recommended that a separate banking account be established for the Reserve Fund. A separate account was opened for this purpose. It is estimated that the Secretariat has devoted an additional 4 man-hours, at a cost of \$193, to establishing the account. Reviewing the separate reports of this account is anticipated to require 3.25 man-hours additional work, at a cost of \$170 annually.

#### 3. Development of an Accounting Manual

McQuade and Drolet recommended that an accounting procedures and policy manual be developed and offered to perform this service for the Committee on a fee basis. In lieu of incurring this additional expense, the Secretariat has agreed to expand the documentation of information on accounting practices followed, as time permits. There has been insufficient time to complete this task this year.

#### 4. Collection of Past Uncollected Assessments

McQuade and Drolet recommended that the Secretariat consider more definitive collection procedures for unpaid assessments. The Standing Committee decided to apply the Rules and Regulations strictly with regard to nonpayment of assessments. The actions taken were reported in Working Paper III on the Financial Condition of the Committee.

#### 5. Cancellation of Invoices

McQuade and Drolet recommended that all invoices be stamped "Paid" when a check is prepared. The Secretariat now writes "paid" on each invoice, in addition to the previous practice of stapling a copy of the payment check to the

invoice. This activity is estimated to require .8 man-hours of work, at a cost of \$40 annually.

#### 6. Separation of Duties

McQuade and Drolet recommended that the mail handler prepare deposit slips for checks received and that the Executive Director review bank statements. The Executive Director now receives bank statements and opens them for review before turning them over to the Administrative Officer. This activity is estimated to require 4 man-hours per year, at a cost of \$386. The Secretariat continues to follow its normal practice of the mail handler preparing deposit slips for checks received.

#### 7. Use of a Lockbox System

McQuade and Drolet recommended a lockbox system for the receipt of checks. The Secretariat investigated the use of a lockbox system. The monthly cost to the Committee of such a system, with adequate reporting of the source of checks received, would exceed any additional revenue received from a more prompt deposit of checks by a factor of 300. Such a system has therefore not been implemented. The cost of investigating the system is estimated at 16 man-hours, or \$771.

#### 8. Travel and Entertainment Expenses

McQuade and Drolet recommended that travel expense reports of the Executive Director be sent to the Chair of the Standing Committee and that a quarterly comparison of actual and budgeted travel expenses by trip taken be made. These actions have been taken. The cost of preparing the quarterly travel reports is estimated at 8 man-hours or \$773 annually.

#### 9. Staff Retirement Plan

McQuade and Drolet recommended that brokerage firms be utilized to establish individual retirement accounts for participants. Instituting this recommendation would involve changing the Staff Retirement Plan in a significant way and reduced returns to participants. In lieu of this action, all accounts of the Staff Retirement Plan have been converted to accounts "for the benefit of" individual participants. This conversion is estimated to have involved 124 man-hours and a cost of \$6,268. This cost will be offset by reduced recordkeeping requirements in the future, which are estimated at 64 hours for a saving of \$3,084 annually.

#### 10. Personnel Compensation

McQuade and Drolet deferred to the Wyatt Company study of salary comparability and did not analyze ICAC compensation.

#### 11. Performance Reviews

McQuade and Drolet recommended that performance reviews be conducted annually and in written form. These reviews, which were first provided for in the revision of the Staff

Regulations in 1987, have been maintained in written form since they were instituted, and it is the goal of the Executive Director to conduct them annually. They will now be initiated by employees.

### 12. Staff Regulations

McQuade and Drolet recommended that the Staff Regulations be reviewed and expanded to cover all topics relevant to the employer-employee relationship. When the Staff Regulations were revised in 1987, after a two year process, it was the intent of the Standing Committee to write the Staff Regulations in a form that would not require frequent revision. The Secretariat has agreed to review the Staff Regulations annually for any necessary changes and to speed the completion of an employee manual, which has been under development.

### 13. Manager of Information Systems

McQuade and Drolet reviewed the position of Manager of Information Systems on the Secretariat staff. The auditors made no recommendations for any change in this position.

### Summary of the Costs and Savings Resulting from the Audit Recommendations

Summing the man-hours listed above results in a total expense of 268 hours of Secretariat time in complying with the recommendations, at a cost of \$13,401. The continuing cost of adopting the recommendations is estimated at \$7,535 per year (an increase in costs of \$10,619 less an anticipated saving of \$3,084).

This estimate does not include the cost of the audit or Secretariat or member governments' time in arranging for the performance audit or receiving the report, nor the cost of duplication and mailing of papers associated with the audit.

### Recommendations of the Standing Committee

#### Working Paper VI

### Election of Officers of the Standing Committee

The Nominating Committee called for in the Rules and Regulations of the International Cotton Advisory Committee met in Washington on July 6, 1995.

Present were the delegates of Argentina, Australia, Belgium, Brazil, Chad, China (Taiwan), Colombia, Egypt, France, Germany, Italy, Japan, Netherlands, Pakistan, Philippines, South Africa, Spain, Turkey, Uganda, the United Kingdom, and the USA.

Mr. Fumio Yawata of Japan was elected Chair of the Nominating Committee.

The Nominating Committee recommended to the Standing Committee that Mr. José Molina, the delegate of Argentina, be nominated as Chair of the Standing Committee for the coming year; that Mr. Victoriano Leviste, the delegate of the Philippines, be nominated as First Vice Chair; and that Mr. Aluisio Lima-Campos, the delegate of Brazil, be nominated as Second Vice Chair.

At its 412th Meeting, the Standing Committee accepted the recommendation of the Nominating Committee and proposed the following slate of officers for the Standing Committee for the coming year to the 54th Plenary Meeting of the Advisory Committee:

Mr. Molina, Chair  
Mr. Leviste, First Vice Chair  
Mr. Lima-Campos, Second Vice Chair

### Working Paper VII

### Salary of the Executive Director

#### BACKGROUND

#### Relevant Rules and Regulations

Article III - Advisory Committee, Section 5 - Terms of Reference, a. "To appoint an Executive Director and to determine his basic contract and emoluments."

Article VII - Secretariat, Section 1, b. "The Executive Director shall receive equal treatment with other members of the Secretariat in all matters, including the determination and implementation of cost of living adjustments to salaries."

Staff Regulations: Article II - Conditions of Employment, Section I - Appointment (b) "The Standing Committee is authorized to appoint and make changes in the terms of employment of the Executive Director in the interim period between Plenary Meetings."

#### Previous Action by the Advisory Committee

At the 52nd Plenary Meeting, held in New Delhi in October 1993, the contract of the present Executive Director was renewed for an additional term of five years, beginning January 1, 1994 and ending December 31, 1998. No decision was taken regarding the salary of the Executive Director during this contract. Instead, the Advisory Committee directed the Standing Committee to commission a salary comparability study by an agency selected in consultation with the Executive Director. Once the study was completed, anticipated within six months, the issue of the salary of the Executive Director

could be discussed, though in no case would the current salary be reduced.

#### Previous Action by the Standing Committee

The Secretariat contacted firms specialized in compensation matters for bids to conduct a salary comparability study, which were presented to the Standing Committee. Two options were presented: A study using available information at a cost of \$5,000; or a special survey, which would generate information specific to the study at hand, at a cost of \$35,000-70,000. The Standing Committee chose the less expensive option and contracted with The Wyatt Company for the Salary Comparability Study at its 403rd Meeting (April 15, 1994).

The Wyatt Company study was formally presented to the Standing Committee at its 408th Meeting (November 22, 1994). The study concluded that the salary of the Executive Director was 94% of a comparable salary (the basis used was the chief of a commodity division at Washington DC international, intergovernmental organizations of like size to the staff of the ICAC). The Wyatt group recommended a salary structure for the position at that time of \$84,240-\$131,625, with a midpoint of \$105,300, net of taxes.

A number of delegates to the Standing Committee expressed disappointment with the Wyatt Company study, indicating that they felt the Wyatt Company did not make a comparison with other international, intergovernmental organizations of like size and function. At the 409th Meeting of the Standing Committee (January 18, 1995), a working group was established to consider other proposals for determining the salary of the Executive Director. The working group met on March 9, 1995, and found a consensus for setting the salary of the Executive Director at UN grade D-2 (Step 1, no dependents=\$81,344). The working group met a second time on June 20, 1995, at the request of the Chair, Mr. José Molina of Argentina, and found a consensus that the position of the Executive Director be set at UN grade D-1 for both salary and pension benefits and that the current salary and pension contribution for the Executive Director should not be reduced and should be maintained at current levels until parity with the UN scale is achieved. Within grade step increases would be granted consistent with the UN system if approved by the Standing Committee. (Step 1, no dependents=\$73,483; Step 9=\$83,669; pension contributions, Step 1=\$16,833; Step 9=\$19,911. The Step 1 salary is approximately 75% of the current salary of the Executive Director; the pension contribution is approximately 60% of the current pension contribution, which following World Bank, IMF practice is adjusted for living costs in Washington DC.)

The Standing Committee decided at its 412th

Meeting to adopt the recommendation of the second meeting of the working group.

### RECOMMENDATION

The Standing Committee recommends that the salary for the position of Executive Director of the International Cotton Advisory Committee be set at UN grade D-1 adjusted for Washington DC; that the retirement contribution for the position of Executive Director be computed at the UN rate and Pensionable Remuneration scale for UN grade D-1; that there be no reduction in the level of salary and retirement contribution for the incumbent Executive Director; that the current salary and retirement contribution, if above the current UN levels, be frozen until parity is reached; and that within-grade step increases be consistent with the UN system in timing and amount and be approved by the Standing Committee.

### Implications

If the recommendation of the Standing Committee is adopted, it may be necessary to amend Article III of the Rules and Regulations to reflect the determination of the salary of the Executive Director by the UN system rather than by the Advisory Committee. Depending on action taken with regard to other Secretariat salaries and benefits, it may also be necessary to amend the "equal treatment" section of Article VII, which may be in conflict with the recommendation. Budgetary implications: 1995/96: None; 1996/97-1998/99: The salary budget may be decreased by the amount of the cost of living increases which will not be given to the Executive Director; After 1998/99: The subsequent Executive Director would be paid a salary which is currently 25% lower but which would likely be close to the current amount, if upward adjustments in UN levels continue at the same pace as in the 1990-1995 period.

### *Matters Referred by the Standing Committee*

#### Working Paper VIII

### Salary Determination for Secretariat Staff

#### BACKGROUND

##### Relevant Rules and Regulations

Rules and Regulations: Article VII - Secretariat, Section 1, c, (1), (e) "The Executive Director shall be in charge of the staff of the Secretariat."

Article VIII - Fiscal Procedures, Section 8 - Retirement Plan, b., (2) "The plan may be modified or discontinued by the Standing Committee."

Article XI - Voting, Section 1, b. "In the event that a consensus cannot be achieved in the Standing Committee, the matter under consideration may be referred to the Advisory Committee, unless it is specified in these or other ICAC regulations, that the matter shall be put to a vote in the Standing Committee. The Advisory Committee shall proceed by consensus. In the event of a consensus not be achieved in the Advisory Committee, the matter shall be put to a vote at the request of any delegate, in which case the adoption of any recommendation or proposal shall require the approval of a two-thirds majority of member governments present and voting."

Staff Regulations: Article II - Conditions of Employment, Section 1 - Appointment, (g) "The terms of employment of all positions in the Secretariat other than that of the Executive Director shall be the responsibility of the Executive Director."

##### Previous Action by the Advisory Committee

At the 52nd Plenary Meeting, held in New Delhi in October 1993, the Advisory Committee rejected the decisions of the Standing Committee presented in Working Paper IV, which provided inter alia that Secretariat staff salaries be subject to a scale, that annual increases be permitted not to exceed 3% as long as the upper limit of the scale was not exceeded, that cost of living adjustments be made annually, that retirement contributions be made on the basis of net of tax salaries, as opposed to gross salaries adjusted for taxes.

It was also agreed at the 52nd Plenary Meeting that the salary comparability study to be conducted as a guide to determining the salary of the Executive Director also include information on the salary and benefits of other Secretariat staff.

##### Previous Action by the Standing Committee

The working group established at the 409th Meeting of the Standing Committee to develop a recommendation for the salary of the Executive Director decided, in its second meeting on June 20, 1995, to recommend to the Standing Committee that the salaries for subordinate staff positions be set at the UN grades for positions of commensurate responsibility; that the retirement contributions for subordinate positions be calculated at the UN rate and Pensionable Remuneration scale for the corresponding UN grade; that the current salaries and retirement contributions for incumbent staff be taken into account so that conversion to the UN grades and scales for salary and retirement benefits results in no reductions from current levels, but any salary and retirement contribution that is above the current UN levels for the corresponding position would be frozen until parity is reached; and that within-grade step increases for subordinate staff be consistent with the UN system in timing and amount, and be based on performance as determined by the Executive Director.

At the 412th Meeting, the recommendation of the working group was presented, but a consensus for adopting it could not be found. Under the Rules, the Chair of the Standing Committee referred the matter to the 54th Meeting of the Advisory Committee.

The recommendation of the working group was supported by delegates of Argentina, Australia, Belgium, Brazil, Philippines and the USA. The delegates of Argentina, Brazil and the USA expressed the view that the Executive Director, through the awarding of step increases, would have adequate flexibility in dealing with salary matters.

The recommendation was not supported by the delegates of Greece, South Africa, United Kingdom and Zimbabwe. These delegates supported retaining the current system, which, it was noted, was consistent with national systems which had been reformed to remove rigidities, had been affirmed by the 52nd Plenary Meeting and was more appropriate for an organization like ICAC.

##### Views of the Executive Director

The views of the Executive Director on this matter were presented to the Standing Committee in Attachment III to SC-N-412. In this paper he noted that adoption of the UN salary grades and step increases would be a return to an inflexible system of salary administration, in which the Executive Director would not be able to control the amount of the salary budget and would not be able to bring compensation of employees in line with their contribution to the work of the Committee, with all its problems. He noted in practice under this system that step increases are automatic, that salaries become grossly out of line with contributions, that employees reaching upper limits of grade leave the Secretariat and that the Executive Director does not have a way to motivate employees.

Depending on actions taken with regard to the salary of the Executive Director, it is possible that adoption of the recommendation of the working group could result in the salaries of some subordinate staff exceeding that of the Executive Director. Positions of commensurate responsibility to Secretariat subordinate positions are graded at UN levels D-2 and D-1 in the majority of comparable international, inter-governmental commodity organizations.

##### Findings of the Salary Comparability Study

The Wyatt Company compared Secretariat salaries for positions other than the Executive Director to a blend of comparable positions in the international community and the trade association/not-for-profit community, with equivalent or greater weight on the international community, and designed a net-of-tax salary structure for each position (minimum-maximum). The actual ICAC salary for one

position fell below the minimum. Actual salaries varied from 67 to 90% of the mid-point of the salary range. Actual salaries were on average 79% of the mid-point of the recommended salary range.

### POSSIBLE ACTIONS

The Advisory Committee can decide to accept the recommendation of the working group regarding Secretariat salaries. If the recommendation is accepted, the Staff Regulations would have to be revised to reflect the changes in salary practices. Budgetary implications: 1995/96: There will be no decrease in budgeted expenditures as a result of accepting the recommendation; expenditures may increase if commensurate positions are found to be at higher salary levels. Future years: The salary budget may rise more or less than under the current system of salary administration, depending on UN action with regard to salary scales, pensionable remuneration scales and post adjustments. To the extent that the salaries and pension contributions of some positions are frozen at current levels, the salary budget will tend to increase less, as these positions will not receive cost-of-living adjustments.

If the Advisory Committee takes no action, the current system of salary administration will continue.

## Working Paper IX

### Venue of the Plenary Meeting

#### BACKGROUND

##### Relevant Rules and Regulations

Article III - Advisory Committee, Section 2 - Frequency and Location of Meetings

“Meetings of the Advisory Committee shall be held at the invitation of member governments. Normally, regular meetings shall be held at least once per calendar year. Additional meetings may be called by the Standing Committee.

“Meetings of the Advisory Committee shall alternate as much as possible between cotton exporting and cotton importing countries. As the seat of the organization is in the United States of America, meetings should be held more frequently there than in other member countries and generally at intervals of not more than five years.”

##### Previous Action by the Advisory Committee

The Advisory Committee accepted at the 53rd Plenary Meeting the invitation of the Government of Uzbekistan to hold the 55th Plenary Meeting in Tashkent in 1996 and the invitation

of the Government of Paraguay to hold the 56th Plenary Meeting in Asuncion in 1997.

##### Previous Action by the Standing Committee

In the process of discussing the budget of the Committee for the 1994/95 fiscal year, the delegate of Australia proposed at the 411th Meeting (April 20, 1995) that the possibility of holding plenary meetings in alternate years in the USA be examined as a cost saving measure. This proposal was supported by Belgium. The Chair of the Standing Committee ruled that the matter would be referred to the 54th Plenary Meeting.

At the 412th Meeting, the delegate of France said his government could support holding Advisory Committee meetings in Washington every second year only after studies to show that savings would result and if no other country expressed interest in holding the meeting.

At this same meeting, the delegate of the USA reported that, while the US government had no formal position on the matter, budgetary pressures would likely cause his government to be opposed to the proposal. He said it was his understanding that the proposal from Australia was a proposal for member countries to designate Standing Committee delegates to be Advisory Committee representatives in alternate years in order to hold a plenary session at least expense.

The delegate of Australia supported the view of France expressed at the 412th Meeting and suggested that the US proposal that a meeting of the Standing Committee replace the meeting of the Advisory Committee every other year be considered.

##### Cost of Holding a Plenary Meeting

The budgeted cost to the Committee of holding the 54th Plenary Meeting is as follows:

Interpretation	\$39,000
Transportation and mailing of documents	2,000
Printing of documents and proceedings	8,500
Translation of documents	14,000
Travel, hotel and subsistence of staff	15,900
Total	\$79,400

The ICAC cost is only a small part of the total cost of holding a plenary meeting, which includes the cost of providing a meeting place, the cost of luncheons and dinners provided by the host country, the cost of transportation of participants for field trips, the costs of greeting participants at the airport, the cost of staff to assist the Secretariat in conducting the meeting, the cost of photocopying equipment and supplies and the travel costs of participants including their hotel and subsistence costs. A detailed examination of the costs of holding the 49th

Plenary Meeting in Montpellier, France (excluding the costs of all Ministry, ICAC and participant staff time) suggested that the total costs of the plenary meeting were \$674,000, of which participant travel, hotel and subsistence costs represented \$572,000, host government expense represented \$77,000 and ICAC expense \$95,000.

Holding a plenary meeting in Washington DC reduces the cost to the ICAC by eliminating any travel or subsistence cost for interpreters and ICAC staff and reduces the cost of transporting meeting documents and materials to the site of the plenary meeting. In the case of Manila, it was not possible to find Russian and Arabic interpreters locally; in Washington and other cities with a large international presence, local interpreters may be hired. The cost of hiring all interpreters locally in Washington DC would have been \$18,000 this year. ICAC staff would not have to travel, although it is likely that it would be necessary to rent some space at the meeting site at a cost of perhaps \$2,000. While documents would not have to be shipped internationally, the local cost of transporting meeting materials from the Secretariat's office to the meeting site is estimated at \$400. In addition, it is likely that there would be some representation expense in association with the meeting, estimated at \$1,000. The costs in which there would be saving to the ICAC would total \$21,400, as opposed to \$56,900 this year in Manila, for a saving to the Committee of \$35,500 every other year, or \$17,750 per year on average.

The costs to participants of holding the plenary meeting in alternate years in Washington DC would increase, as hotel and meal costs would be perhaps a third greater than in the typical plenary meeting location. Participants costs might rise \$100,000 in the aggregate every other year, or \$50,000 a year on average, as a result. In addition, there would be a change in the distribution of travel costs among countries, as travel costs of participants located at a great distance from Washington DC would rise while those for participants located closer to Washington DC would fall. Holding the meeting in different countries tends to average out travel costs for all participants over time.

The costs to the US government (or industry, if industry groups contribute to the cost of holding the plenary meeting) would rise from, say, \$80,000 every five years or \$16,000 per year on average to \$80,000 every other year or \$40,000 per year on average.

Summarizing the impact of changes in costs to participants, the host government and the ICAC suggests that the total costs of holding a plenary meeting in Washington DC in alternate years would rise \$56,250 per year on average (\$50,000 for participants plus \$24,000 for the

US government less a saving of \$17,250 for the Committee).

Non-quantified costs of holding the plenary meeting more frequently in Washington DC would be the lack of opportunity for delegates to become familiar with the cotton industries of a greater number of countries and the loss of the positive effects on the cotton industry in countries other than the USA of having a plenary meeting (improved relationships between government and industry groups, promotion of the country's products, increased contact between local industry and international participants).

The proposal of the USA that delegates to the Standing Committee sit as an Advisory Committee in alternate years would be equivalent to changing the timing of the plenary meeting from once a year to once every two years and giving the Standing Committee increased authority to make decisions normally made only by the Advisory Committee (amending the Rules and Regulations, electing officers of the Standing Committee, appointing the Executive Director and determining the terms of his contract and generally serving as the Committee's highest authority for a two year period). Replacing the plenary meeting in alternate years by a meeting of the Standing Committee would offer savings to both participants and host governments, though there would be little if any saving to the Committee if the Secretariat is to maintain the same level of competence and service to member governments. While it would not be necessary to have interpretation services nor would there be any extra costs associated with the meeting (for a savings of \$56,900), in order to have the same contact with member governments for the purpose of exchanging information on cotton industry developments as afforded by annual plenary meetings, the Secretariat would have to travel to an additional 20 countries every other year (34 minus the 14 countries usually visited) at a cost of perhaps \$60,000. Participant costs would fall \$572,000 every other year and host government costs by \$80,000 every other year. The net saving per year would be \$352,900.

Non-quantified costs of replacing the plenary meeting with a Standing Committee meeting would be less involvement of government and industry in the affairs of ICAC, as normal participants in a plenary meeting usually are government officials most closely involved with cotton matters and advisors from the cotton producing, cotton using, cotton trading and cotton research organizations of their countries. Discussions at such a meeting would be similar to those of the world cotton situation at a Standing Committee meeting, in which the Secretariat makes a report and there is little discussion or new material added by delegates. The role of the ICAC as a forum for discussions of cotton matters could diminish by a factor of two.

#### **Frequency of Meetings of the Advisory Committee in the USA**

The Advisory Committee met for the first six times in Washington DC. It was then considered desirable to meet in different countries and the venue of the plenary meeting shifted to Washington DC every third year, with a meeting in an exporting country one year, followed by a meeting in an importing country. This practice was codified in the Rules and Regulations in 1952. The 9th, 12th, 15th, 18th, 21st and 24th Meetings were held in Washington DC. The Rules were amended in 1966 to specify that meetings would generally take place in the USA every five years. The 29th Meeting was held in Washington DC, the 35th Meeting in San Francisco, the 42nd Meeting in Memphis and the 48th Meeting in Scottsdale, Arizona (1989).

#### **POSSIBLE ACTIONS**

The Advisory Committee may decide to hold plenary meetings in alternate years in Washington DC or to give authority to the Standing Committee to conduct any necessary annual business in lieu of a normal plenary meeting in alternate years. Should either action be taken, the new regime would presumably begin in 1998 or be subject to the proviso supported by France and Australia that the Meeting would still be held elsewhere if an invitation from a member country was forthcoming. The Rules and Regulations would have to be amended to reflect the increased frequency of meetings in the USA or reduced frequency of meetings and increased authority of the Standing Committee in alternate years. Budgetary impacts are discussed above.

If no action is taken, plenary meetings will continue to be held at the invitation of member countries, generally at an interval of five years in the USA.

#### **Working Paper X**

### **Fee for Participation at Plenary Meetings**

#### **BACKGROUND**

##### **Relevant Rules and Regulations**

Article XII - Cooperation with Other Organizations

"a. ICAC shall cooperate with other organizations, public or private, national or international. The Standing Committee shall determine the organizations and the nature and extent of such cooperation.

"b. These organizations, as well as non-member governments and the public, may, with the approval of the host government, be invited to attend sessions of the Advisory Committee. Par-

ticipation in the meetings shall be on such terms as the Advisory Committee or the Standing Committee may prescribe."

#### **Previous Practice**

No fees have been charged in the past for participation in the plenary meetings. All participants by custom are responsible for their individual travel, hotel and subsistence expense. Prior to 1994, documents were provided to all participants without cost. In 1994, following the 1994/95 budget decision to restrict free publications, the Agenda, Reports of the Chairman of the Standing Committee and Executive Director, Annual Review of the World Situation, The ICAC Recorder and Directory were provided to all participants; other documents were provided without cost to delegates only. In 1995, the Agenda, Reports of the Chairman of the Standing Committee and Executive Director, Annual Review of the World Situation, The ICAC Recorder and the Directory will be provided to all participants; two sets of other documents are being provided to each delegation without cost.

#### **Previous Action by the Executive Director and Standing Committee**

The Executive Director included in the draft budget which he prepared for consideration of the Standing Committee in 1995 a fee of \$350 to be charged to observers and to all members of delegations in excess of two. Included in this fee would be all documents of the plenary meeting, which had an individual value in excess of \$1,000. The purpose of the fee was to increase the other income of the Committee and reduce the assessments made to member governments to finance the budget.

In proposing the fee, the Executive Director was addressing concern expressed by some countries that their assessments were rising. Increasing other income was viewed as a way of keeping assessments at the lowest possible level, while maintaining services. It was recognized that host countries undertake significant expense and that special arrangements would apply to them. It was also recognized that, if fees were imposed on observers and not on delegates, there would be a tendency for the size of official delegations to rise.

At the 410th Meeting of the Standing Committee, the delegate of the Philippines said his government opposed financing the budget by charging a fee of \$350 to members of official delegations at plenary meetings, as this action would lead to the full commercialization of the ICAC. Instead of charging fees, he proposed investigation of other sources of budget savings such as the suspension of the Research Associate program for a number of years, the elimination of staff travel to member countries and moving the offices of the Secretariat to the suburbs. He asked that the matter of charging a

fee to some participants at the plenary meeting be deferred to the Advisory Committee for action.

The Chair of the Standing Committee asked the Executive Director to prepare a revised budget taking into account the comments of member countries.

A revised budget, omitting the proposed fee as a source of revenue in 1995/96, was presented to the 411th Meeting of the Standing Committee. It was also proposed that the fee not be effected until it could be discussed at the plenary meeting. At that meeting, Australia agreed that the Advisory Committee should examine the question of observer fee payment. The revised budget, with the proposal that the imposition of a fee be discussed at the plenary meeting, was adopted by the Standing Committee at the 411th Meeting (April 20, 1995).

### POSSIBLE ACTIONS

The Advisory Committee may decide to impose a registration fee on certain participants at future plenary meetings. Budgetary Implications: If a fee of \$350 is collected from 100 participants, it will be possible to reduce the assessment to member countries by 3%.

The Advisory Committee may express opposition to the imposition of such a fee.

If no action is taken, the Executive Director may again propose a fee for participation in the plenary meeting as a part of the draft budget presented to the Standing Committee for approval in future years, depending on budgetary pressures.

### Statement of Australia

The Australian delegation would like to submit its comments on the Executive Director's report to the First Plenary Session as well as other reports just presented.

We note the approaches made to the Consultative Group on International Agricultural Research to develop ways of organizing more concerted research actions. It is important that the nature of this cooperation be agreed by member countries of ICAC before recommendations are made to the full CGIAR meeting in 1996.

The Secretariat should be congratulated for its role in securing Common Fund support.

We are responsive to the offer of identifying member countries' problems for the Secretariat and seeking assistance in solving them.

There should be a more serious response to the call for guidance on the Secretariat's work program and priorities.

We confirm the value of reports on governments

policies and look forward to a paper on the US program.

The *ICAC Recorder* continues to provide up to date relevant information.

We would like to suggest that in order to take full advantage of Common Fund projects a progress report be presented next year in the technical seminar followed by a short discussion session and identifying priorities.

In the report that we have just heard, the suggestion that a category of consulting members to recognize significant contributions to the ICAC of many non-government bodies is worthy of further examination.

We would support referring the matter to the Standing Committee to develop a recommendation to the next Plenary Meeting.

### Statement of Brazil

With respect to the report from the Executive Director on the work program and budget of the Committee, the Brazilian delegation would like to make the following comment:

The Standing Committee, the Executive Director and the Secretariat deserve our recognition for the work that has been done toward reducing the costs and increasing the revenues of the ICAC. As the numbers and performance of the Secretariat have demonstrated, it is indeed possible to maintain costs down while preserving the high quality of the Secretariat's work.

The Brazilian delegation supports the continuation of this cost-reducing policy in combination with revenue enhancing measures, and would like to encourage the discussion of creative ideas on the subject.

With regard to the specific proposals contained in the document, we would like to comment on the following:

In the case of a fee for official delegates in excess of two at plenary meetings, this is an immediate problem for Brazil. We have at least three government representatives in our delegations to plenary meetings and could not support such a restraint, as it stands.

The idea of bringing private organizations into the ICAC is appealing from a revenue-enhancement point of view and for its potential for increasing ICAC's information on cotton affairs worldwide. It worries us, however, the risk of such a presence affecting negatively the ability of member governments to decide on ICAC issues. Careful examination of a more detailed proposal is, therefore, needed in this case.

We are, however, extremely preoccupied regarding the Executive Director's comment that cotton's worldwide share has fallen to its lowest level ever. In our opinion, this must be consid-

ered a priority for the Committee to address and it is, perhaps, one more argument in favor of creating "consulting members" whose principal interest in participating in the ICAC would be to support the growth of the cotton trade. Such organizations could be the vehicles, coordinated by the Secretariat of the ICAC, to initiate a world promotion endeavor bearing in mind that such undertaking could also involve the World Bank and, perhaps, the Common Fund.

We would appreciate comments from other delegates on these proposals.

### Statement of Uganda

The Ugandan delegation is of the view that the right of member states to extend invitations to host plenary meetings of the ICAC should not be curtailed in any way. When no invitation is extended by a member state in any particular year, then automatically the plenary meeting for that year would take place in Washington. This is in addition to the current practice where a plenary meeting is held in Washington once every five years.

The Ugandan delegation does not support the idea of the Standing Committee assuming the responsibility of the Advisory Committee in alternate years. If this were done, least developed countries like Uganda, with small missions in Washington manned by generalists, would not be adequately represented.

Secondly, the Ugandan delegation believes very strongly that member states, particularly least developed states such as Uganda, benefit a great deal when they are afforded an opportunity to see and learn at first hand developments taking place in other countries through participation in plenary meetings. The opportunities of acquiring such experiences would be reduced by half if every other plenary were held in Washington.

The Ugandan delegation supports the maintenance of the status quo.

### Statement of Sudan

The Sudanese delegation will support Uganda's proposal of maintaining the current system of holding plenary meetings in different countries. This makes it possible for more countries to participate, particularly small and developing countries, and gives an opportunity to see developments taking place in these countries.

The Sudanese delegation proposes that work progress on projects financed under the Common Fund be reported to interested countries and that final results or outcome also be disseminated to interested countries.

The Sudanese delegation does not support the proposal of increasing subscription fees for member countries or charging fees for participation in plenary meetings to member countries' delegates in excess of two. Instead, we suggest to change the present formula of financial contribution and base it on cotton production.

The Sudanese delegation will be delighted and privileged to host the 57th or 58th Plenary Meeting of the ICAC, in years 1998 or 1999, in Khartoum, Sudan, when all the needed facilities and services to host such a meeting will be available.

### **Statement of The Philippines**

Permit us at this point to express and summarize our brief views on the working papers presented to us by the Secretariat.

The proposal for greater private sector participation is interesting and noteworthy and should be pursued. We would like to ask the Standing Committee in Washington to study this proposal and present the Advisory Committee with a recommendation. We believe that details such as budgetary and financial implications and amendments to the ICAC rules and regulations may have to be threshed out.

On the salary of the Executive Director, the Philippines supports the Standing Committee's recommendation that his salary be set at UN grade D-1. On the salary determination for the Secretariat staff, the Philippines supports the recommendation of the working group that their salaries be based on the UN scale and that the staff regulations be revised to reflect the changes in salary practice.

We still support the current system of holding plenary meetings at the invitation of member countries. As for fee participation at plenary meetings, we have expressed our reservations. We would like to suggest that the ICAC Secretariat consult with the host countries where plenary meetings are scheduled on whether this would be appropriate.

Again, we would like to reiterate our thanks to the ICAC Secretariat for the excellent work it has done this past year.

### **Statement of Uzbekistan**

The delegation of Uzbekistan believes that all ICAC working languages must be preserved. This will be consistent with the goals and objectives of the Committee in terms of providing its members with the maximum amount of information on the issues relating to cotton production and consumption.

On plenary meeting venues, the delegation of Uzbekistan shares the view of some other dele-

gations that the ICAC plenary meetings should be held in member countries whose governments offer to host them.

On limiting the number of official delegates allowed to attend ICAC plenary meetings free of charge, the financial gain from charging additional members of official delegations an attendance fee will likely be more than offset by the damage caused by reduced contacts among experts due to their diminished representation.

On admitting representatives of the private sector to the ICAC, the International Cotton Advisory Committee is an inter-governmental organization, and allowing private companies to become members of the ICAC will be contrary to its goals and objectives.

The Government of Uzbekistan is busy preparing to host the next plenary meeting of the International Cotton Advisory Committee in Tashkent. The week of October 7, 1996, has been tentatively set as the time of the 55th ICAC Plenary Meeting.

All the above-mentioned issues can be discussed at the Tashkent plenary meeting.

### **Statement of Australia**

The suggestion that consideration be given to holding the plenary meeting in Washington DC in alternate years was put forward by Australia as one of a number of measures that could be taken to reduce the cost of administering the ICAC. Australia was concerned, at the time the 1994/95 budget was being developed, at the prospect of continuing transfers from the reserve fund to the working fund and did not consider it appropriate for that situation to continue.

The suggestion was made immediately before a meeting of the Standing Committee and without there being an opportunity to consult other member countries, including the United States, whose interests were directly affected. In the course of discussions of the suggestion, other members of the Standing Committee added value to it, leading to the proposals presented in the paper prepared by the Secretariat.

The Secretariat paper also pursues the suggestion made by France that the potential for savings be examined. After considering that paper, Australia would now place a low priority on holding plenary meetings in Washington in alternate years as a means of reducing the costs of ICAC activities. Indeed, taking into consideration the non-quantifiable costs of reduced interaction between member countries and recognizing the already significant level of United States support in relation to plenary meetings, we conclude that the measure should be one of last resort.

The conclusion that we have reached has been made easier by the effective response by mem-

ber countries to the difficult financial situation that existed last year. We would like to place on record our appreciation of the action taken by member countries, which has resulted in a significant improvement in the level of the working fund. We believe that such action has averted the need for drastic measures to bring ICAC expenditure into line with actual receipts.

It is our sincere hope that it will never be necessary for the ICAC to consider the tough decisions that can be forced on organizations facing financial difficulties. The prospect of a shortfall in working funds arising in the future, however, should not be dismissed. We believe that member countries will need to be vigilant in their efforts to ensure that the Secretariat can continue to provide the range and high standard of services we currently receive as members.

Having regard to the information now before us, Australia would like to propose that no action be taken in regard to the suggestion that plenary meetings be held in Washington DC in alternate years.

### **Statement of Paraguay**

To begin our intervention, we would like to express our great satisfaction for the environment prevailing in this meeting. Undoubtedly, this is due to the cordiality, capacity and generosity of the Filipino people combined with the competence of the ICAC's Executive Director and his staff.

In 1990/91, my country had 189,554 rural families involved in cotton production, representing 63% of total farmers and 25% of the whole population. That same year, 550,000 hectares of cotton were planted which produced 753,000 tons, yielding 1,369 kgs of seedcotton by hectare. These amounts represent the record levels in area, volume and yield of our cotton production history.

On the other side of the coin, our seedcotton production in 1991 faced three main problems: low prices, bad weather conditions at harvest, and lack of appropriate storage facilities which led farmers to wait for better prices to sell their production. These conditions affected the quality and quantity of available seed. In addition, the effect of the blue virus disease that affected imported varieties during 1992/93 and the boll weevil attack in 1993/94, caused the decline of our production. However, in 1994/95, our government, with the support of Parliament, is adopting special measures to recover our cotton production.

We look forward to having the opportunity of presenting our experience in facing each difficulty with the purpose of maintaining the production of cotton as an important source of income for our farmers and a factor in the



industrialization of our country through the development of local spinning facilities. Therefore, it is our pleasure to convey to you the desire of the Government of Paraguay to serve as your host on the occasion of the 56th Plenary Meeting in 1997.

## **Third Meeting**

### **Comments of the USA on Working Paper III**

We are pleased that a number of countries have made payments on arrearages and hope that the remainder may be successful in their efforts to bring accounts current. We note that arrearages now amount to more than \$900,000 when uncollected assessments of members who have withdrawn or whose memberships have been discontinued either recently or in the more distant past are considered. We also note that the working fund balance of \$279,898 as of June 30, 1995 includes \$255,100 in advance payments for the current operating year. We think members need to give very careful consideration to the work program and budget for 1996 in light of funding realities. At the moment, the US is uncertain

about its own ability to sustain current payments. We anticipate significant shortfalls perhaps as much as 40% in fiscal year 1996 in US funding for international organizations due to congressional action and exchange rate movements. The administration strongly opposes the cuts proposed by Congress; nevertheless, it is possible that we will be unable to fully meet our commitments for fiscal year 1996. Government agencies in the United States and many other countries are currently dealing with dramatic cuts in personnel and funding. In some cases, they are finding ways to do the same job with fewer resources, in others, they are fundamentally rethinking their roles and activities. We believe that notwithstanding possible constraints on governmental resources there is scope for the ICAC to continue to provide worthwhile and effective service while reducing costs. Taking into account our funding outlook for the next several years, the United States policy will be to seek, in general, reductions in the budgets of international organizations to which it contributes. Our intent is to bring our multilateral commitments into rough parity with the resources that we will have available. Accomplishing this will require cost-cutting and prioritizing of activities.

### **Comments of the USA on Working Paper V**

The US appreciates the progress which has been made thus far in implementing the recommendations of the performance audit. We look forward to the full implementation of these recommendations. We would like to point out that in our view the actual cost of implementing these recommendations is practically no cost at all. The same salary is being paid to the administrative staff of the Secretariat whether or not the recommendations are implemented. We also note that the cost of the financial statement and performance audit conducted by McQuade and Drolet was several thousand dollars less than just the financial audit by the previous auditor. With regard to the conversion to an accrual basis of accounting, it is the view of the United States that no change in the Rules and Regulations would be required. This is because the accompanying statements of cash flow satisfy the requirements stipulated in the Rules and Regulations for debiting expenditures in the fiscal year which payments are made and crediting receipts in the fiscal year that the funds are actually received. This information plus the additional information that the accrual system provides gives a fuller picture of financial condition.