



PROCEEDINGS

56th Plenary Meeting of the
International Cotton
Advisory Committee

Asunción, Paraguay
October, 1997

PROCES-VERBAL

56e Réunion Plénière du
Comité Consultatif
International du Coton

Asunción, Paraguay
Octobre, 1997

ACTAS

56a Reunión Plenaria del
Comité Consultivo
Internacional del Algodón

Asunción, Paraguay
Octubre, 1997

**PROCEEDINGS
OF THE
56TH PLENARY MEETING**



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Washington DC USA

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FOREWORD

At the invitation of the Government of Paraguay, the 56th Plenary Meeting of the International Cotton Advisory Committee was held in Asunción, Paraguay from October 27 to 31, 1997.

The International Cotton Advisory Committee is an association of governments having an interest in the production, export, import and consumption of cotton. It is an organization designed to promote cooperation in the solution of cotton problems, particularly those of international scope and significance.

The functions of the International Cotton Advisory Committee, as defined in the Rules and Regulations, are

- To observe and keep in close touch with developments affecting the world cotton situation
- To collect and disseminate complete, authentic, and timely statistics on world cotton production, trade, consumption, stocks and prices
- To suggest, as and when advisable, to the governments represented, any measures the Advisory Committee considers suitable and practicable for the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy
- To be the forum of international discussions on matters related to cotton prices

PREFACE

Sur l'invitation du Gouvernement du Paraguay, le Comité consultatif international du coton a tenu sa 56e Réunion plénière à Asunción, Paraguay du 27 au 31 octobre 1997.

Le Comité consultatif international du coton (CCIC) est une association de gouvernements ayant un intérêt dans la production, l'exportation, l'importation et la consommation de coton. C'est une organisation créée dans le but d'encourager la coopération pour la solution des problèmes relatifs au coton qui présentent un caractère international.

Les fonctions du Comité consultatif international du coton, telles que les définit le Règlement statutaire, sont les suivantes :

- Observer et suivre de près l'évolution de la situation mondiale dans la mesure où elle intéresse le coton.
- Réunir et publier des statistiques complètes, officielles et à jour sur la production, le commerce, la consommation, les stocks et les prix du coton dans le monde.
- Proposer, s'il en est besoin, aux Etats membres du CCIC, toutes mesures que ce dernier juge appropriées et réalisables pour renforcer la collaboration internationale afin de développer et de maintenir une économie mondiale du coton qui repose sur des bases saines.
- Etre le forum international pour toutes discussions relatives aux prix du coton

PROLOGO

Por invitación del Gobierno del Paraguay, la 56a Reunión Plenaria del Comité Consultivo Internacional del Algodón se celebró en Asunción, Paraguay, del 27 al 31 de octubre de 1997.

El Comité Consultivo Internacional del Algodón es una asociación de gobiernos que se interesan en la producción, exportación, importación y consumo de algodón y tiene como finalidad promover la cooperación para solucionar los problemas algodóneros, en particular los de alcance y significación internacional.

Las funciones del Comité Consultivo Internacional del Algodón, según se definen en el Reglamento son las siguientes:

- Observar el desarrollo que afecta la situación algodónera internacional y mantenerse al corriente de la misma.
- Reunir información estadística completa, oportuna y auténtica sobre la producción, el comercio, las existencias y los precios mundiales del algodón y divulgar dicha información.
- Sugerir a los gobiernos representados, en la forma y oportunidad convenientes, cualquier medida que el Comité Consultivo estime adecuada y factible para el progreso de la colaboración internacional con la debida atención a la manutención y desarrollo de una economía mundial algodónera sana.
- Ser el foro de discusiones internacionales en materias relacionadas con los precios del algodón.

MEMBER GOVERNMENTS

ETATS MEMBRES

PAISES MIEMBROS

Argentina
Australia
Azerbaijan
Belgium
Bolivia
Brazil
Burkina Faso
Cameroon
Chad
China (Taiwan)
Colombia
Côte d'Ivoire
Egypt
Finland

France
Germany
Greece
India
Iran
Israel
Italy
Japan
Republic of Korea
Mali
Netherlands
Pakistan
Paraguay
Philippines

Poland
Russia
South Africa
Spain
Sudan
Switzerland
Syria
Tanzania
Turkey
Uganda
United Kingdom
USA
Uzbekistan
Zimbabwe

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STATEMENT OF THE 56TH PLENARY MEETING

The International Cotton Advisory Committee, the intergovernmental forum for discussion of matters related to cotton, met in Asuncion, Paraguay, from October 27 to 31, 1997, in its 56th Plenary Meeting since the Committee was established in 1939. 32 member countries were represented. Representatives of 4 non-member countries and 5 international organizations participated as observers. Over 300 persons attended the meeting. The Committee approved the following statement:

1. World cotton production and consumption are rising in 1997/98, with production approaching an estimated 20 million tons and consumption forecast to reach a record 19.5 million tons (Annex I). Increases in the supply of cotton in many countries and relatively rapid world economic growth are contributing to the rise in cotton use.
2. World cotton trade in 1996/97 was six million tons, unchanged from 1995/96. However, world trade is forecast to decline in 1997/98. A 3% increase in world consumption during 1996/97 did not result in increased trade because most of the gain in cotton use occurred in cotton producing countries. A similar pattern is expected in the current season, and world cotton imports as a share of cotton consumption are expected to fall from 32% in 1996/97 to 29%.
3. The Cotlook A Index, an indicator of world cotton prices, was stable last season and remained above the long run average of 74 cents per pound. According to estimates prepared by the Secretariat, the world cotton market is expected to remain essentially balanced in the current season, and the 1997/98 average Cotlook A Index is not expected to differ significantly from the 1996/97 average of 79 cents per pound. However, rising stocks and a reduction in world trade may eventually lead to lower world cotton prices.
4. There are concerns in the cotton industry regarding the lack of progress in raising yields over the last five seasons. The world cotton yield did not increase between 1991/92 and 1996/97, the first five-year period since the 1940s in which the world yield did not reach a new record.
5. The International Cotton Advisory Committee notes the decline in cotton's share of the world fiber market by 0.5% to 44.7% in 1996 and by more than four percentage points since 1990. The Committee resolved to encourage all efforts to accelerate the increase in cotton consumption. To contribute to these efforts, the ICAC will offer the services of its Secretariat, including the provision of statistics, contacts with government, country analyses, provision of office facilities and any other initiatives that the Secretariat can perform within its resources.

Furthermore, to arrest the decline in cotton's market share, the International Cotton Advisory Committee will take steps to:

- Encourage the private sector to develop plans to increase world cotton consumption, as well as efforts by governments of individual member countries, at their discretion, to provide support to such plans.
- Through dissemination of information and encouragement of research, encourage
 - All means possible to increase cotton yields.
 - Work to improve cotton varieties and cotton ginning to produce cotton with fiber properties more suitable for the modern textile industry.
 - Work for the reduction of contamination of cotton with foreign material.
 - Efforts to reduce the incidence and impact of stickiness on cotton lint.
 - Efforts to develop spinning and weaving systems that will increase cotton competitiveness.
- Urge governments to improve market access in their own countries for cotton and cotton products as well as to work together to improve market access around the world, all within the framework of relevant international agreements.
- Monitor, discuss and disseminate information about these efforts.

6. To assist member governments and the cotton sectors in their respective countries, the Committee is providing a checklist of possible steps which can be taken to improve cotton's competitiveness (Annex II). Member governments are invited to report to the 57th Plenary Meeting on their efforts and the progress which has been made.
7. The Committee held discussions on developments in cotton production, use and trade in Mercosur, and noted the growing integration of the economies of the region. The Committee heard reports on the reactivation of cotton production in Paraguay and on expectations for substantial increases in output in both Argentina and Brazil.
8. The potential of futures and options trading as risk management tools was explained. The Committee heard presentations regarding the use of these tools in Australia and on the opportunities for utilizing a Southern Hemisphere futures contract operated by the Bolsa de Mercadorias & Futuros in Sao Paulo.
9. Some delegates noted that implicit or explicit subsidies by some countries were altering efficient world production, industrialization and trade. Member countries called for the elimination of subsidies and unfair trade practices through the whole cotton production, transformation and marketing chain.

Annex I
SUPPLY AND DISTRIBUTION OF COTTON
31 October 1997

Years Beginning August 1

	1993	1994	1995	1996 Est.	1997 Proj.	1998 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	8.598	6.909	7.270	8.683	9.30	9.82
CHINA (MAINLAND)	2.953	2.102	2.788	3.714	4.10	4.00
USA	1.015	0.769	0.577	0.568	0.86	1.05
NET EXPORTERS	3.906	3.194	2.898	3.399	3.76	4.40
NET IMPORTERS ¹	4.692	3.716	4.372	5.284	5.55	5.42
PRODUCTION						
WORLD TOTAL	16.889	18.701	20.267	19.566	20.03	19.77
CHINA (MAINLAND)	3.739	4.342	4.767	4.203	4.20	4.00
USA	3.513	4.281	3.897	4.124	4.01	3.97
INDIA	2.095	2.355	2.754	3.000	2.80	2.71
PAKISTAN	1.368	1.479	1.886	1.615	1.90	1.86
UZBEKISTAN	1.358	1.248	1.254	1.062	1.25	1.20
TURKEY	0.602	0.628	0.851	0.784	0.73	0.80
OTHERS	4.214	4.369	4.857	4.777	5.14	5.23
CONSUMPTION						
WORLD TOTAL	18.534	18.559	18.638	19.194	19.50	19.81
CHINA (MAINLAND)	4.600	4.500	4.500	4.600	4.70	4.70
INDIA	2.160	2.279	2.536	2.797	2.87	2.92
USA	2.268	2.438	2.318	2.422	2.43	2.43
EAST ASIA & AUSTRALIA	2.299	2.189	2.217	2.162	2.03	2.01
EU & TURKEY	1.898	2.050	2.036	2.102	2.12	2.22
PAKISTAN	1.583	1.508	1.602	1.530	1.60	1.65
E. EUR. & FORMER USSR	1.089	0.956	0.750	0.768	0.83	0.84
BRAZIL	0.834	0.818	0.817	0.800	0.75	0.78
OTHERS	1.802	1.821	1.862	2.012	2.17	2.27
EXPORTS						
WORLD TOTAL	5.917	6.305	6.029	5.958	5.65	5.85
USA	1.494	2.047	1.671	1.495	1.40	1.48
UZBEKISTAN	1.288	1.250	0.940	1.042	1.05	1.05
FRANCOPHONE AFRICA	0.520	0.614	0.618	0.735	0.82	0.79
AUSTRALIA	0.367	0.293	0.308	0.530	0.52	0.52
ARGENTINA	0.069	0.208	0.266	0.285	0.25	0.26
GREECE	0.175	0.265	0.325	0.192	0.19	0.22
CHINA (MAINLAND)	0.166	0.040	0.005	0.002	0.00	0.02
IMPORTS						
WORLD TOTAL	5.765	6.536	5.883	6.108	5.65	5.85
EAST ASIA & AUSTRALIA	2.225	2.140	2.181	2.063	1.95	1.94
EU & TURKEY	1.231	1.250	1.140	1.243	1.28	1.35
CHINA (MAINLAND)	0.176	0.884	0.663	0.787	0.40	0.25
E. EUR. & FORMER USSR	0.840	0.847	0.603	0.547	0.62	0.63
SOUTH AMERICA	0.542	0.477	0.512	0.573	0.50	0.51
TRADE IMBALANCE ²	-0.152	0.231	-0.147	0.150	0.00	0.00
STOCKS ADJUSTMENT ³	0.108	-0.012	-0.070	0.100	-0.01	-0.01
ENDING STOCKS						
WORLD TOTAL	6.909	7.270	8.683	9.305	9.82	9.76
CHINA (MAINLAND)	2.102	2.788	3.714	4.101	4.00	3.53
USA	0.769	0.577	0.568	0.865	1.05	1.12
NET EXPORTERS	3.194	2.898	3.399	3.755	4.40	4.82
NET IMPORTERS ¹	3.716	4.372	5.284	5.550	5.42	4.94
ENDING STOCKS/USE ⁴	0.35	0.38	0.40	0.41	0.42	0.43
COTLOOK A INDEX ⁵	70.60	94.30	85.61	78.60	79*	75*

¹ Includes Brazil, China (Mainland), Colombia, Mexico, Turkey and traditional importers except Greece

² The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

³ Difference between calculated stocks and actual; amounts for forward seasons are anticipatory

⁴ World-less-China (Mainland) ending stocks minus China net exports, quantity divided by world-less-China consumption

⁵ U.S. Cents per pound. The model result for 1997/98 is based on net China (Mainland) trade, ratios of world-less-China (Mainland) ending stocks to use, barter sales from Central Asia, and futures prices. The estimate for 1998/99 is based on net China (Mainland) trade and world-less-China (Mainland) ending stocks to use. The estimate for 1994/95 is adjusted for quotes during June and July.

* 95% confidence intervals extend 9 cents per pound for 1997/98 and 15 cents for 1998/99 above and below each point estimate.

10. The Committee asked all member governments to work for the continuation of the FAO Survey of World Apparel Fibre Consumption, which is the only source of fiber use information at the level of the final consumer. These data are crucial to measuring the competitiveness of cotton and gauging the size of the cotton market. Members are requested to contact their representatives at FAO to urge reinstatement of the Survey. All other avenues to continue the work should also be investigated.

11. The Second World Cotton Research Conference will be held in Athens, Greece, September 6-12, 1998, under the sponsorship of the Committee, the Hellenic Cotton Board, FAO, CIRAD-CA, Natural Resources Institute of the United Kingdom, the Ministry of Agriculture of Greece and the National Agricultural Research Foundation of Greece. The theme of the Conference will be New Frontiers in Cotton Production Research. It is expected that over 500 cotton researchers will attend.

12. The Committee recognized the assistance of the Common Fund for Commodities in working toward the solution of a number of critical cotton problems. The Committee held a technical seminar to disseminate the initial results of projects currently in progress on control of whitefly, the cotton boll weevil, leaf curl virus and stickiness in cotton. In 1998, the technical seminar will present a summary of the findings of the World Cotton Research Conference-2 and will also concentrate on the topic, Effectively Addressing Cotton Contamination.

13. The 57th Plenary Meeting of the Committee will be held in Santa Cruz de la Sierra, Bolivia, in the week of October 12-16, 1998. The Committee accepted the invitations of Australia, Zimbabwe and Egypt to hold plenary meetings in 2000, 2001 and 2002.

14. The Committee welcomed the recent accession of Azerbaijan, Burkina Faso and Mali and their participation in the work of the Committee. Other countries were invited to join the Committee and share in its work to keep the world cotton economy strong.

Annex II

The following guidelines are offered to governments and the cotton sectors in member countries as possible measures to be adopted as ways to recover cotton's share of the fiber market:

1. Reducing the Cost of Production

- a. Reducing the cost of nutrition by shifting emphasis on organic manures and bio-fertilizers to minimize environmental degradation.
- b. Shorten cotton's crop duration to 4 1/2 to 5 months from the present 5 to 7 1/2 months.
- c. Breed pest/disease resistant cottons through conventional breeding and by developing transgenic cotton.
- d. Accelerate spread of integrated pest management practices through specific programs/campaigns.
- e. Exploit hybrid technology.
- f. Improve ginning outturn to a higher range of 35 to 40%.

2. Making Quality Meet Demand

Cotton's fiber properties do not fully match those of synthetics. Therefore

- a. Cotton's fiber properties should be improved for better strength, uniformity and maturity.
- b. Cotton picking, handling and processing should receive greater care and attention in order to minimize contamination.

3. Moderate Price Volatility

To minimize price fluctuations which are detrimental to producers and consumers

- a. Spread improved production technology with emphasis on soil and water management, to minimize the influence of adverse weather conditions.
- b. Increase irrigated cotton when agronomic and ecological conditions allow.
- c. Apply risk management tools.
- d. Avoid the implementation of policies that distort markets.

4. Promote Cotton

- a. Introduce promotional campaigns for cotton at the retail level.
- b. Emphasize the advantages of cotton vis-a-vis man-made fibers and influence the ultimate consumer towards cotton through
 - (1) Emphasis on favorable wearing comfort.
 - (2) Emphasis on moisture absorbency.
 - (3) Stress on cotton as a renewable resource.
- c. Profit from experience of other countries who promote cotton.
- d. Develop manufacturing processes that increase cotton's competitiveness.

Inauguration

Monday, October 27, 1997, 10 am

Delegates welcomed Ing. Juan Carlos Wasmosy Monti, President of the Republic of Paraguay to the Meeting. The national anthem of Paraguay was sung.

Mr. Roberto Antebi in addressing the President of Paraguay and participants in the Meeting said that CADELPA was highly honored that Paraguay was serving as host of the 56th Plenary Meeting. He said cotton had throughout time been an important product, which had developed a high strategic value. He noted that countries with the highest technical capacities had greater advancement in cotton than less developed countries and said that there were many differences among countries in their cotton activities. Over time these differences had become harmonized and he recognized the role of the ICAC in this process. He also noted that the rules of international trade in cotton had reached a very reliable level.

Mr. Antebi referred to the expansion of cotton production in Paraguay beginning in the 1970s, which culminated in record production in 1991, when cotton supported 200,000 families in the country and exports exceeded 200,000 tons. He recognized the assistance of the IRCT (now CIRAD-CA) in raising yields from 650 kgs of seed cotton to 1300 kgs. He said cotton represented 35% of total exports.

Since 1991, Mr. Antebi said, there had been problems with heavy rains, which in the 1992 harvest period destroyed seed supplies and set back breeding experiments. This problem was complicated by the arrival of the boll weevil and the impact of world recession in the 1991/92 season. He said there were also some at that time who thought cotton marginalized the rural population.

Today, Mr. Antebi reported, the entire country understands that cotton is an extremely important product, and the government has prepared a program to reactivate cotton and to advance the position of Paraguayan cotton in international markets, while providing assistance to small producers to diversify their output. He re-

ported that the Ministry of Agriculture, CADELPA and CIRAD-CA were developing new genetic resources, which would be available in 1999. He said CADELPA was also working to define the requirements for mechanization of cotton production.

Mr. Antebi referred to the recent meeting of Ministers of Agriculture in Chile, where it was recognized that no country has been able to achieve a satisfactory level of development by turning its back on its agricultural sector. He said government must provide education, health services and credit to the rural population to provide a satisfactory quality of life.

He noted that CADELPA had, with the approval of the government of Paraguay, taken the steps for Paraguay to join the ICAC in 1991 so that Paraguay could benefit from economic outlook reports and statistics provided by the Committee. He noted that the cotton market could be forecast and that Paraguay needed this information in its planning.

In closing, Mr. Antebi said that the private sector in Paraguay wished to take advantage of the government program to reactivate cotton production, the technical developments being made with the assistance of CIRAD and the trade developments in Mercosur. He looked forward to resuming the advance of cotton production in Paraguay for the profit of all concerned. Mr. Antebi's address is a Statement of the Meeting.

Ing. Luis A. Pellegrino, Head of the Argentine delegation, spoke next on behalf of all delegations to thank Paraguay for its hospitality in hosting the 56th Plenary Meeting. He expressed appreciation to the people and authorities of Asunción for their warm welcome. Though the ICAC was meeting for the first time in Paraguay, cotton was not new to the region, he said. In ancient times cotton was grown and cotton fabrics produced. When the Spanish arrived on the continent they found cotton-using civilizations. Production was expanded to provide for exports to Spain. After independence, cotton experienced a golden age in the 1862-65 period and continued to increase its significance in the 20th century. Mr. Pellegrino congratulated the

President of Paraguay and his government for holding the 56th Meeting of the ICAC and thanked them for their efforts, which would lead to significant developments in the improvement of the cotton economy. Mr. Pellegrino's address is a Statement of the Meeting.

The final speaker was Minister of Agriculture Cayo Franco, who welcomed members of the ICAC and observers from non-member countries and international organizations. He said it was an honor for his country to have the world's cotton experts in Paraguay. He said the meeting coincided with the Wasmosy Government's program to reactivate cotton production in the country. He said in 1989/90 cotton was grown by 60% of farm families or on nearly 200,000 farms. Given the problems of the last few years, the number of families growing cotton had declined to 75,000. Production had declined from 642,000 tons of seed cotton to only 139,096 tons last season from 110,692 ha. The reactivation program has a goal of increasing the area to 380,000 ha. He said a national survey indicated that farmers had the intention to sow 300,000 ha this season, which should be a reality by the 15th of November.

Ing. Franco said it was his expectation that this 56th Plenary Meeting of the ICAC, which he formally opened, would result in full and active dialogue among producers, traders and textile mill representatives. He said this dialogue would assist the realization of the Government's ambition in increasing cotton production. He also took the opportunity to recognize the assistance of friendly countries, such as France, Great Britain and Japan, as well as that of international organizations such as the World Bank and the Interamerican Development Bank.

In the name of the National Government, he sincerely wished all delegates and observers a fruitful meeting and a pleasant stay in Paraguay. Mr. Franco's address is a Statement of the Meeting.

Statements of the Meeting, which are an integral part of the full record of the Meeting, are published separately.

First Plenary Session

Monday, October 27, 1997, 11 am

Mr. Félix A. Stiegwardt in the Chair

Mr. Victoriano Leviste, Chairman of the Standing Committee, presented his report on the activities of the Standing Committee since the 55th Plenary Meeting. Mr. Leviste's report is attached.

Mr. Lawrence Shaw, Executive Director, presented his report. The Report of the Executive Director is attached.

The CHAIR noted that substantive discussions of the cotton situation would continue in the Second and Third Plenary Sessions. He also said administrative issues would best be considered

in the Second Meeting of the Steering Committee. He asked delegates for any comments at this time.

The delegate of the USA referred to the proposals and comments with regard to the Standing Committee made by the Executive Director in his report. She said she would have expected

that this type of presentation and discussion would have taken place in the Steering Committee. The CHAIR agreed that there would be opportunity for any discussion of these matters in the Steering Committee.

The CHAIR adjourned the session at 11:45 am.

ATTACHMENTS

Report of the Chairman of the Standing Committee

**Victoriano B. Leviste
Philippines**

It is a pleasure for me, Mr. Chairman, to be in Paraguay and to experience first-hand your country's hospitality as it hosts the 56th Plenary Meeting of the International Cotton Advisory Committee. Cotton is important to all the countries gathered here. In Paraguay, cotton has been a major provider of income and employment for hundreds of thousands of families. Today it is in the center of the growing trading environment of Mercosur. We look forward to learning more about future developments in the cotton industry of Paraguay and the integration of trade between Paraguay and your neighbors in the Southern Cone.

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 55th Plenary Meeting, which ended on October 11, 1996, in Tashkent, Uzbekistan. Since that time, I have served as Chair of the Standing Committee. Mr. Aluisio Lima-Campos of Brazil and Mr. Alaa Eldin Shalaby of Egypt, have served as First Vice Chair and Second Vice Chair, respectively.

The Standing Committee had the pleasure to confirm the Government of Azerbaijan's accession to membership in the ICAC. I would like again to welcome the representatives of Azerbaijan to the Committee. I would like also to welcome representatives of governments attending this Plenary Meeting as observers, in order to consider membership in the ICAC. The Committee encourages all countries with an interest in cotton to join in our work.

In the last year, the Standing Committee, responding to an expression of interest in membership in the ICAC, extended an invitation to the government of the Peoples Republic of China to join the Committee under the Rules of the Committee. Delegates, referring to the existing membership of the government of China (Taiwan), noted that both governments represented important parts of the world of cotton and expressed the desire to see both governments as members of the ICAC.

The Standing Committee met ten times between December 1996 and July 1997. Two of the meet-

ings were strictly administrative in nature, to revisit the decisions of the 55th Plenary Meeting regarding the salary of the Executive Director and to consider a budget for the coming year. At the other eight meetings, actions, which the Committee could take to arrest the decline in cotton's share of market, were discussed.

The Executive Director invited a number of experts in the battle for fiber markets to address the Standing Committee. The Standing Committee appreciates the willingness of the following individuals and their organizations to share their thinking: Mr. Allen Terhaar, Cotton Council International, USA; Mr. Andrew Macdonald, International Textile Manufacturers Federation; Mr. Francisco Dávila, Conalgodón, Colombia; Mr. Mark Lange and Ms. Debbie Vivien, National Cotton Council, USA; Mr. J. Nicholas Hahn, Cotton Incorporated, USA; Mr. Boeta Joubert, Cotton Board, South Africa; and Mr. Peter Pereira, retired Executive Director of the International Institute for Cotton. The staff of the Secretariat also prepared and discussed with the Standing Committee a number of background papers.

Based on discussions in the period from December 1996 through July 1997, the Standing Committee has prepared a recommendation for a series of actions, which the Committee can take to arrest the decline in cotton's share of textile fiber markets. Delegates to the Standing Committee were cognizant of their government's desires to keep the budget of international organizations, including the ICAC, constant in real terms. As a result, there was little support in the Standing Committee for any action proposals, which would have financial consequences for the Committee. The Standing Committee's recommendation will be presented at the Second Plenary Session tomorrow morning. The Secretariat has prepared a document to accompany the recommendation which includes the record of Standing Committee discussions, as well as copies of papers which the Standing Committee had the opportunity to review. This document, as directed by the 55th Plenary Meeting, was distributed to member governments and placed on the Internet, more than two months before this Meeting.

In other matters, the Standing Committee was informed of the decision of the Food and Agriculture Organization of the United Nations to discontinue its Survey of World Apparel Fibre Consumption. The Committee passed a resolution asking the FAO to reinstate the Survey because of its importance to countries with cotton industries in gauging the demand for textile products and because of the role of the FAO as an objective international collector of important information. Unfortunately, despite the resolution and the pleas of a number of governments who also independently asked the FAO to reinstitute the Survey, the Commodity Division of the FAO declined to continue the Survey for

budgetary reasons, but offered assistance to any other organization which might be willing to carry on the work.

It is the function of the International Cotton Advisory Committee to be the forum for discussion on matters related to cotton prices. Such discussions are to take place regularly in the Standing Committee. At all but the administrative meetings in 1996/97, the Standing Committee received a report from the Secretariat on the world cotton situation. In addition, there was an opportunity for member countries to bring matters of concern to their cotton sectors to the attention of the Committee.

The Standing Committee addressed a number of administrative matters during the course of the year. These matters included approval of the audit report of the Committee's finances in 1995/96, the appointment of Research Associates, who came to Washington in April 1997 for a ten day traveling seminar on cotton costs from field to mill, reviewed decision making in the Standing Committee, adopted an Agenda and timetable for this Meeting, approved a budget and scale of assessments for the coming year, reviewed concerns of a government regarding the Executive Director's salary and prepared a recommendation for the procedure for selecting an Executive Director.

It is also my responsibility 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.

The Common Fund has financed six projects which have been sponsored by the International Cotton Advisory Committee. According to the 1996 annual report of the Common Fund, ICAC sponsored projects represented 16% of the total financing of the Common Fund for projects affecting 20 commodities. One project has been completed, the World Bank-cofinanced project on Cotton Production Prospects for the Next Decade. Progress reports on four other projects will be presented at this year's meeting of the Committee on Cotton Production Research, scheduled for Thursday. In addition, in July, the Executive Board of the Common Fund approved financing of a project on Cotton Market Development and Trade in Eastern and Southern Africa. This project is devoted to the development of a warehouse-receipts system, which should lead to improved financing, better market information and better quality production in the region. Loan and grant finance will be provided for pilot projects in Uganda and Tanzania under the project, with training for other countries in the region. The project is one of the first utilizing the resources of the First Account of the Common Fund; previous projects were financed from the Second Account.

The ICAC must invest some staff time and expense in monitoring activities as a supervisory body in Common Fund approved projects, participating in the review of project proposals and serving as an international commodity body at the Common Fund. The Standing Committee spent 1% of its time on Common Fund matters in 1996/97. Secretariat costs with regard to Common Fund activities in 1996/97 are estimated at US\$24,000, including \$5,075 in travel expenses, \$18,375 in staff time, and \$550 in handling documents. These expenses were 1.9% of the budget of the ICAC in 1996/97. Since 1990, the costs of Common Fund activities have totaled US\$177,500 or 2.1% of the cumulative ICAC budget total of \$8.1 million over the six years. In the same period, projects costing US\$45.6 million have been approved by the Common Fund. I should note that the total contributions of the Common Fund to projects sponsored by the ICAC, including both loans and grants, now is \$17.5 million. The ratio of these contributions to the funds invested by ICAC is nearly 100 to 1.

In closing, I would like to express my appreciation for the support which other delegates to the Standing Committee have given me during my term of office. It has, indeed, been an honor and a pleasure to serve ICAC.

Report of the Executive Director

Lawrence H. Shaw

I would like to give you my views on the state of the cotton industry and how the International Cotton Advisory Committee is carrying out its mandate to further international collaboration towards a sound world cotton economy. As you know, 1998 will be my last year in service as your Executive Director. I hope that the year to come will be one of efficient preparation so that when you select your new Executive Director next year in Bolivia, the transition will be brief and the Committee's work can go without interruption.

On the surface, the cotton industry seems to be doing well. In the season, which has just ended, world cotton use rose to 19 million tons, after being unchanged at 18 1/2 million tons for nearly ten years.

World cotton production is only moderately above the level of world use, at about 19.3 million tons, and world stocks of cotton have not been burdensome to the world market because China has been willing to hold in 1996 nearly double the amount of cotton it held in 1993. As China has continued to buy cotton in sizeable quantities, despite apparent limited national needs, world trade in cotton has been stable for the last two seasons at around 6 million tons.

Prices, while lower than they were in 1994 and 1995, remain above 80 US cents per pound and are expected in 1997/98 to average 82 cents, or more than 10% above the average of the last 20 years.

Growing cotton consumption is taking place in the environment of relatively rapid world economic growth. World GDP grew 4% in 1996 and is expected to rise more than 4% in 1997 and 1998, compared to long-term average rates of growth of around 3% per year. The economy of the USA has been strong. The economy of Japan has recovered. The economies of the EU are somewhat less ebullient as consumers are still faced with high unemployment. But the major drag to world economic growth in the last several years, the declines which occurred in Eastern Europe and the former USSR, seem to be over. According to the World Bank and the International Monetary Fund, these economies, which declined in each of the years from 1990-1995, turned the corner to positive economic growth in 1996.

Increases in world textile fiber consumption are closely related to changes in the world economy and the gains which occurred in 1996 were associated with significant gains in world textile fiber consumption. In 1996, total textile fiber consumption increased over 3%, compared to long term expectations of increases of around 2%.

The problems and concerns come when one looks beneath the surface.

While world textile fiber consumption increased 3% in 1996, world cotton consumption in calendar year 1996 increased only 2%. As a result cotton's share of the world textile fiber market fell from 45.2% to 44.7%.

The further half point loss in share follows a full five percentage point loss in share from 1986 to 1995. In the same period, wool lost a percentage point of share from 5% to 4% and cellulosic fibers, three percentage points from 8% to 5%. All of the gains have been in the synthetic fibers, which saw their share of the textile fiber market rise from 45% in 1986 to 52% last year.

As long as world cotton consumption continues to increase in a growing world economy, there may not seem to be any problems, but declines in market share are a signal that problems are ahead, particularly if they continue.

Earlier this year, we revised our forecasts for world cotton consumption in 2000 and 2005 lower because of declines in cotton's competitiveness. The forecast for 2000 was lowered to 20 million tons. In 1987, world cotton consumption in 2000 was estimated at 25 million tons. Still, if cotton can keep its competitiveness at the 1995 level, world cotton consumption could still rise.

However, if cotton's competitiveness declines in the next few years at the same pace that it did in the 1990-1995 period, gains in world cotton consumption would be a thing of the past.

Why has cotton's competitiveness faltered?

First, consider price. Prior to 1987, cotton's cost relative to non-cotton fibers declined, boosting cotton's competitiveness. Since 1987, cotton has increased in price relative to non-cotton fibers.

The gap between cotton prices and the price of polyester staple is now wide. Currently 1.7 decitex polyester staple sells for 65 US cents per pound in the USA, 57-59 cents in Europe and 41-73 in Asia. Furthermore, increases at a rate of 14% a year in the capacity to produce polyester staple are planned in Asia which could lead to greater production of synthetic fibers in Asia alone in 2000 than in the entire world in 1995. This increase in capacity portends a polyester price of around 50 cents.

Cotton prices tend to fluctuate with supply and demand conditions and have been above polyester prices several times in the past. However, when the gap becomes 15 or 20 cents per pound, textile mills, always faced with competitive pressures, are forced to consider replacing cotton with synthetic fiber.

Will prices of cotton stay higher than those of polyester?

Cotton prices are currently over 80 cents a pound due to the costs of production. The decline in cotton prices from 95 cents per pound in 1994/95 to 86 cents in 1995/96 was accompanied by decline in area planted. Thus, the normal price of cotton determined by the cost of production seems to be, measured by the Cotlook A Index of asking prices delivered to North Europe, over 80 cents. Thus the gap is likely to continue.

Both cotton costs and cotton prices would be lower if cotton yields were higher. However, we are experiencing an unprecedented stagnation in world cotton yields. World cotton yields did not rise in the last five years, the first five-years of decline since statistics on the world cotton yield have been collected.

We have speculated on the reasons for world yield stagnation and have concluded that, given economic limitations, most countries have reached their ability to increase yields by using existing technology such as fertilizers and insecticides. If further gains are to take place in cotton yields on a world basis, there will have to be new breakthroughs in genetic knowledge of what causes the cotton plant to produce numbers and sizes of bolls.

Factors other than prices are also involved in the loss of competitiveness and may in fact be responsible for two-thirds of the decline. Textile spinners tell us cotton does not have the properties necessary for use in the high speed machinery which competition forces spinners to use

to stay competitive themselves. They urge the development of better cotton varieties, improved ginning and better cotton handling to prevent contamination with foreign material and honeydew.

The textile industry, of course, would have abandoned cotton long ago in some countries if consumers had not demanded the properties which a spun, natural fiber can give to apparel and home furnishing products. The promotional efforts of cotton farmers in the USA to inform consumers about the advantages of cotton and to create demand for the product have resulted in a doubling of per capita cotton use in the USA and sharp increases in the percentage of cotton being used both in the spinning sector and in apparel and home furnishings imports. In fact, in 1997/98, the increase in cotton consumption in the USA is expected to be 350,000 tons, or more than the world increase of 270,000 tons. Therefore, outside the USA, cotton use is already declining.

Promotional efforts in cotton's behalf exist in some other countries, but, relative to the USA, very little is being spent to promote cotton. The lack of effort shows. In the USA, around \$14 a ton is being spent on promotion and cotton use is rising; in Japan around \$3 a ton is being spent and cotton's share is holding; in the developing countries, around 30 cents a ton is being spent and cotton's share is declining rapidly.

The Committee was founded in 1939 with the purpose of developing international collaboration towards maintaining a sound world cotton economy. In the past, the Committee has addressed the problems of excessive world cotton stocks, quality deficiencies and the initial competitive threat from synthetic fibers in the 1960s. Hopefully, the Committee can continue to serve a role in combating the new challenge of the decline in cotton's competitiveness as we approach the 21st Century. The Standing Committee met eight times in the past year to discuss what specific steps can be taken to arrest the decline in cotton's market share and has prepared a recommendation for Committee action which will be discussed tomorrow.

It may also be a good time for the Advisory Committee to consider whether changes should be made in the structure of the Committee's functioning as we approach a new century and as a new Executive Director is about to be hired. I would like to share some of my observations with you.

Under the Rules and Regulations the primary function of the Standing Committee is "to constitute a medium for exchange of views in regard to current and prospective developments in the international cotton situation." Yet recent history shows that there has been little discussion of the cotton situation in the Standing Committee. In order to focus attention on cotton matters, it was decided in 1987 to place the dis-

ussion of the cotton situation as the first item of business on the agenda of each Standing Committee meeting. In recent years, specific items have been added to the agenda for meetings to provide an opportunity for member countries to present statements on the cotton situation in their countries and to bring matters of importance to the cotton sectors in their countries to the attention of other countries and the Committee. However, in the last year, when the Secretariat presented a report on the world cotton situation, delegates to the Standing Committee had questions or comments on the report at only four of seven meetings. In fact, such questions or comments were made by only three delegates. Only one country during the year presented a statement on the cotton situation, and this statement was presented by a visitor to Washington. Delegates of member governments did not bring any matters of importance to their cotton sectors before the Standing Committee.

The limited participation of delegates in discussion of the cotton situation at the Standing Committee is likely due to several reasons: First, limited attendance of countries at meetings. While 41 countries belong to the Committee, the average attendance at meetings of the Standing Committee during the last year was 18 (however, 34 countries were represented at least at one meeting). Second, delegates to the Standing Committee are not likely to be cotton experts. Unless they are supported by personnel involved in the Committee's affairs in capitals, many are unlikely to be able to report on cotton matters. Third, delegates of countries with small representations in Washington may not be able to afford the time necessary to follow ICAC affairs closely. For many developing countries, the total embassy staff may be a small number, with economic and commodity affairs covered by only one person who must attend meetings of the World Bank and International Monetary Fund as well as those at ICAC.

Limited participation in discussion of the cotton situation may also be symptomatic of limited involvement of delegates in the fate of the world cotton industry. It is certainly understandable that delegates should be responsive to the demands of their governments to cut costs; but the need for fiscal prudence should be balanced by an understanding of the financial impact of avoiding action in cotton matters which might involve some small cost on the part of governments. The current contributions of most governments to the ICAC are only a few thousand dollars. A 20% increase in the budget of ICAC to support a specific action plan would cost the average government about \$5,000. I think spending of this small magnitude deserves to be weighed against its value to the cotton sector, rather than rejected out of hand because of a general rule that the budgets of international organizations should not grow.

Finally, during my tenure as Executive Director, I have tried to focus attention at budget time on the functions of the Committee and the specific activities which the Secretariat undertakes to carry out these functions. Information is presented and comparisons made regarding the activities of the Secretariat and the proportion of the Committee's resources which are devoted to each function. However, there is little if any discussion during the consideration of the budget on what portion of the budget should be spent on economics and statistics or on technical information or on the Committee's role as a forum on international cotton affairs. Discussion is always confined to specific administrative matters such as salaries. From my perspective, I would rather have the Standing Committee in its budget deliberations focus on what functions the Committee should be performing, not on the nuts and bolts of how the Secretariat carries out these functions.

The only solution to these problems in my mind is to move the operations of the Committee closer to the cotton sectors in member countries. From time to time, it has been suggested that the functions of the Standing Committee be undertaken by an executive committee made up of the persons who represent their countries at meetings of the Advisory Committee. This executive committee would then have the responsibility for developing the agenda for meetings of the Advisory Committee, adopting a budget and scale of assessments, overseeing the finances of the Committee, proposing any amendments to the Rules and considering other matters before the Committee. An executive committee could meet in the country serving as host of the forthcoming meeting of the Advisory Committee and at other locations two or three times a year as necessary.

Any such reorganization of the structure of the Committee would probably have to be considered in the context of a meeting of the Advisory Committee, as the Standing Committee, like any bureaucratic organization, is unlikely to recommend its own disbanding. Delegates may wish to discuss a potential reorganization of the structure of the Committee at this Meeting or in the course of the next year.

The cotton industry is strong; prices are not depressed; consumption is growing thanks to the strong world economy. Yet the industry is now facing its greatest challenge since the 1960s. If cotton's competitiveness with synthetic fibers does not stop declining, the cotton industry will stop growing. Without growth in demand, export markets will constrict, particularly as an increasing portion of cotton is being processed in producing countries.

I am hopeful that ICAC can play a role in keeping cotton growing. I look forward to working with you to define and to carry out that role in these crucial times for the industry.

Second Plenary Session

Monday, October 27, 1997, 2:10 pm
Mr. Félix A. Stiegwardt in the Chair

The CHAIR called the meeting to order and said that in the Second Plenary Session there would be reports on supply, demand, and trade developments. He introduced Dr. Terry Townsend of the Secretariat to present the first report. Dr. Townsend reported that the world cotton supply is estimated to be 29 million tons during 1997/98, which is 4% higher than 1996/97. One of the main reasons for higher world supply is higher beginning stocks in China (Mainland). Dr. Townsend estimated production and beginning stocks for 1997/98 at 20 million and 9.3 million tons respectively. Talking about production forecasts made by the ICAC Secretariat in October of every year, Dr. Townsend said that estimates were closer to actual production in Uzbekistan and most different from actual production in Pakistan. He presented the Secretariat statistics on production of cotton by type in the world and observed that the premium for extra fine cotton category, in relation to the Cotlook A Index, dropped from 56% in 1996/97 to 39% in the first ten weeks of the current season. Coarse count cotton will be produced in larger quantity (by 300,000 tons) during 1997/98. Dr. Townsend's report on the Outlook for World Cotton Supply in 1997/98 is a document of the Meeting.

The CHAIR introduced Mr. Carlos Valderrama of the Secretariat who presented a report on the demand outlook. Mr. Valderrama reported that while world consumption of end-use textile products increased by 3.1%, the share of cotton among all fibers decreased to 44.7% during 1996. The world economy has grown continuously for the fourth year and is expected to grow at the rate of 4% in 1997, 1998 and 1999. Mr. Valderrama stated that increased textile consumption in Eastern Europe and the former USSR countries is a healthy sign for future world textile consumption. Mr. Valderrama forecast decreased textile prices in 1997. However, end-use cotton consumption is expected to rise at a rate lower than non-cotton fiber consumption, thus affecting the share of cotton. Per capita consumption of textiles is expected to be at 7.3 kg and 7.37 kg in 1997 and 1998 respectively. Mr. Valderrama's report, on World Textile Demand, is a document of the Meeting.

The CHAIR informed participants that the third report would also be presented by Dr. Townsend, as Mr. Andrei Guitchounts could not come to the Plenary Meeting. Dr. Townsend reported that world trade in 1996/97 remained at 6 million tons, unchanged from 1995/96. The trade forecast for 1997/98 is 5.7 million tons, low mainly because of fewer imports by China (Mainland). China is expected to import only 400,000 tons during the current season but will still be one of

the largest importers in the world. Major suppliers to China will be the USA, Central Asia, Australia and Francophone African countries. Dr. Townsend stated that Brazil has emerged as one of the major importers of cotton in the last few years. Production in Mexico is also going down, forcing increased imports to meet domestic needs. Turkey has emerged as the fifth largest consumer of cotton after China (Mainland), India, the USA and Pakistan. Consumption in India will experience further increase while Pakistan is expected to recover from drops in consumption caused by lower production. Uzbekistan is expected to export 1.05 million tons during 1997/98. During 1997/98 Indonesia is expected to be the largest importer of cotton in the world. Mr. Guitchount's report, on World Cotton Trade, is a document of the Meeting.

The CHAIR invited comments, observations and statements from member governments and recognized the delegate of EGYPT.

On behalf of the Egyptian delegation, Dr. Hassan Ali Khedr expressed appreciation to Ing. Juan Carlos Wasmosy, President of the Republic of Paraguay, the government and people of Paraguay for hosting the 56th Plenary Meeting of the ICAC. He praised the warm hospitality of the Paraguayan authorities and logistic and technical efforts of the Executive Director of the ICAC and his staff for arranging the meeting. He said that a detailed country statement had been given to the Secretariat which included the foundations and guidelines that would enable the Egyptian economy to cope with the changes in the 21st century. Dr. Khedr reported that 850,000 feddans were planted under cotton during 1997/98 and that production was expected to be 6.5 million kantars. He said the minimum guaranteed price has been reduced in 1997/98 but farmers are free to sell their cotton to the Government or to private merchants. During 1995/96, the price was fixed too high, which limited private sector participation; however, increased activities of the private sector were evident during 1996/97. Dr. Khedr stated that the government is committed to make deficiency payments through the current marketing system until a price stabilization fund is started next year. Referring to cotton trade, Dr. Khedr stated that the export policy has set the export target at 1.5 million kantars. Egypt has done away with the 35 year old system of pricing by reopening the cotton exchange and announcing weekly prices related to international market driven forces. Dr. Khedr noted that a larger market share for Egypt in the international trade would require larger participation of the private sector. The establishment of the stabilization fund will help to reduce price volatility for farmers. He wished all success at the ICAC meeting. His remarks and Egypt's country report are Statements of the Meeting.

The CHAIR recognized the delegate of JAPAN. The delegate expressed the gratitude of the Government of Japan to the Government of Paraguay for its hospitality in hosting the Plenary Meeting and welcomed Burkina Faso as a new member of the Committee. The delegate noted that Japan had experienced slow economic growth in recent years and that the economy remains in an uncertain situation. Consequently, the spinning industry has been forced to reduce capacity, and the number of spindles has been reduced by half to three million as of June of this year. Imports of cotton decreased by 7% in 1996, and imports in 1997 may fall by 12%, to less than 300,000 tons. The delegate called attention to the concerns of spinners regarding contamination, including honeydew, and the importance of ensuring the supply of high quality cotton and of observing the sanctity of contracts. The delegate recognized the efforts of producing countries to address these concerns but noted that further progress was necessary and observed that the production of higher quality cotton could help to maintain cotton's share in the world economy. His remarks and Japan's country report are Statements of the Meeting.

The CHAIR recognized the delegate of TURKEY. The delegate thanked and congratulated the Government of Paraguay for hosting the Plenary Meeting. The delegate noted that lower production is expected this season in Turkey, but that area and production of cotton were expanding in the GAP region of eastern Turkey. Consumption of cotton in Turkey is being maintained near one million tons, and because consumption is greater than production, the textile industry has been forced to buy cotton at prices usually 10% to 20% higher than the Cotlook A Index owing to the high volatility in domestic cotton prices. The delegate noted with some relief that the percentage of cotton used in the textile industry is around 70, both for domestic and export products. His remarks and Turkey's country report are Statements of the Meeting.

The CHAIR recognized the delegate of ARGENTINA. The delegate asked a question of the Secretariat related to the presentations earlier in the session. The delegate asked whether the Secretariat could comment on the proportion of world mill use of cotton which benefits from implicit or explicit subsidies to cotton prices contained in certain export incentives. The delegate observed that some countries offer price subsidies or credit guarantees on the purchase of cotton. He noted that since Argentina had opened its economy to imports, mill use of cotton had fallen from 145,000 tons to 105,000 tons and that some garments seem to be offered for sale within Argentina at prices below the cost of production. He wondered whether this was possible because of export subsidies on cotton.

Mr. Carlos Valderrama, responding for the Secretariat, replied that textile industries in many countries are very competitive because of labor costs and other advantages including competitive exchange rates. He felt that there are practically no direct subsidies to mill consumption of cotton, but that there are programs which indirectly benefit local cotton textile industries and help to boost mill fiber use.

The delegate of ARGENTINA reported that harvested area in his country in 1996/97 had fallen 8% to 890,000 hectares and production was estimated at 330,000 tons. Argentina was introducing two new cultivars, PORA 3 INTA and ORO BLANCO INTA, that would help to boost production and quality in the future. The structure of cotton production in Argentina is being changed by increased investment in harvesting machines and the development of large cotton farms. The delegate noted that the boll weevil had been discovered in Argentina in 1993, but that steps were being taken to isolate the pest in one area. Furthermore, efforts are underway to eradicate the boll weevil. He said Argentina is working with Paraguay and Brazil to control this pest. Argentina's country report is a Statement of the Meeting.

The CHAIR recognized the delegate of BELGIUM. The delegate, speaking on behalf of his government and the European Union, thanked the Government of Paraguay for hosting the Plenary Meeting. The delegate also thanked the Secretariat for their efforts in preparing documents for the meeting and noted that the ICAC is the international forum leader for cotton. The delegate noted that the textile and clothing industry remains a vital sector for the European economy, although it has undergone a reduction in the number of employees owing to the structural adjustments which took place over the last decade. In 1996, although cotton consumption in the EU fell 2% to just over one million tons, imports by the EU still accounted for 17% of world trade in cotton. The delegate noted that the EU is the largest importer of cotton. Production in 1996/97 reached 393,400 tons, and the estimate for 1997/98 is for an increase of 13%. Production in 1996/97 covered 40% of consumption within the EU. The delegate said that the EU is pleased to note the repeal of the restrictive standards of raw cotton exports from Pakistan following the negotiations of the Uruguay Round. However, he noted that other countries still strongly limit exports with quotas today. The delegate also stressed that, through the concession of advantageous credit lines, important problems relating to competition distort the market, and that these distortions favor the spinners of the recipient countries. His remarks and the EU's country report are Statements of the Meeting.

The CHAIR recognized the delegate of the PHILIPPINES. The delegate expressed the appreciation of his government for the hospitality

of the Government of Paraguay and the City of Asunción in hosting the Plenary Meeting. The delegate thanked again the member countries of the ICAC for the honor and opportunity to serve as Chair of the Standing Committee for 1996-97. The delegate reiterated the Government of the Philippines' commitment to continue its efforts to develop a local cotton production industry. He noted that cotton is once again established in the Philippines, but that a sustained increase in area had yet to be realized. The delegate described the Medium-Term Agricultural Development Plan as regards cotton, explaining that the goal is to enable farmers to earn additional income through increased yields, using higher quality seeds and environmentally friendly pest control measures. The Philippines' country report is a Statement of the Meeting.

The CHAIR recognized the delegate of INDIA. The delegate thanked the Government of Paraguay for the warm hospitality extended to the Indian delegation. The delegate noted that cotton farming in India employs about seven million farmers and that cotton is one of the most important cash crops. He explained that cotton is grown in India in three distinct zones. Mill consumption of cotton is increasing because of an increase in capacity, especially in Export Oriented Units. About 60 new spinning units have come into production during the last year, and cotton consumption in India increased to 2.8 million metric tons in 1996/97. The Government of India aims to strike a balance between the interests of cotton growers and textile mills and the decentralized handloom and power loom weavers. During 1996/97, the government released an export quota of 245,000 tons. During 1997/98, the government has already released an export quota of 120,000 tons. Textile mills in India are free to import cotton from any source. The Government of India recognizes the need to raise cotton yields and is considering setting up a Cotton Technology Mission. The Cotton Corporation of India (CCI) helps to produce and distribute certified seeds, brings non-traditional areas under cotton cultivation, helps with technology transfer and constructs sheds in marketing yards for the benefit of growers. The Government of India, CCI, the cotton trade and other agencies dealing in cotton recognize the need to produce contamination-free cotton. The proposed Cotton Technology Mission may take steps for the modernization of ginning and pressing factories to improve processing. The Government of India has decided to resume domestic futures trading in cotton in the next cotton season. India's country report is a Statement of the Meeting.

The CHAIR recognized the delegate of CHINA (TAIWAN). The delegate thanked the Government of Paraguay for its hospitality. The delegate also thanked the Executive Director for the preparations of the Meeting and welcomed Burkina Faso as a new member in the ICAC. In

1996, imports of cotton by China (Taiwan) totaled 350,000 tons, a 21% increase over 1995. However, the spinning industry in China (Taiwan) is faced with serious challenges, and the number of spindles installed as of July 1997 was 6% less than one year earlier. To maintain a healthy cotton spinning industry, several steps will be taken. There will be efforts to 1) restructure internal management systems, 2) increase the scope of overseas investment, 3) strengthen the development of high-value added products, 4) form strategic alliances with other textile sectors, 5) promote China (Taiwan)'s brand to international markets, 6) explore the use of the Internet for marketing, and 7) disseminate automated production technology. With the successful implementation of these steps, the cotton spinning industry in China (Taiwan) may grow and increase the quantity of cotton imports. His remarks and the China (Taiwan)'s country report are Statements of the Meeting.

The CHAIR recognized the delegate of ZIMBABWE. The delegate observed that Zimbabwe is one of the largest cotton producers in Africa, growing it since the 1920s. While production accounts for only 1.3% of world production, cotton from Zimbabwe is of particularly high quality because of a unique pre-ginning handling system which ensures that the crop is free of contamination and of a uniform standard. The Zimbabwe Cotton Marketing Board was transformed in 1994 into a wholly-government owned private company called the Cotton Company of Zimbabwe. The deregulated agricultural industry as a whole, including cotton, is now covered by the Agricultural Products and Marketing Act which allows the Minister of Agriculture in broad terms to set standards for agricultural products and to levy the agricultural industry. There are four players purchasing seed cotton in Zimbabwe today, the Cotton Company of Zimbabwe, Cotpro Limited, Cargill Zimbabwe, and Boka Cotton Auction Floor. The deregulation of the cotton industry has had a positive impact on production trends by raising grower enthusiasm and fostering efficiency among players in the industry. Despite less-than-perfect weather in 1996/97, cotton performed well as a crop, and the final harvest is estimated at nearly 100,000 tons of lint. Ginning started in April and will finish by the end of November. The delegate concluded by extending an invitation to the ICAC to hold the Plenary Meeting in 2001 in Zimbabwe. Zimbabwe's country report is a Statement of the Meeting.

The CHAIR thanked the delegate of Zimbabwe for his country's invitation to hold a Plenary Meeting.

The CHAIR recognized the delegate of UGANDA. The delegate thanked the Government of Paraguay and the ICAC Secretariat for the preparations of the Plenary Meeting. The delegate noted that the Government of Uganda is committed to the development of the cotton

sector under its liberalization policy embarked upon in 1992/93. Research has improved the two varieties of BPA and SATU, resulting in higher yields. Production is on an encouraging upward trend, although in 1997/98 it may fall to 10,000 tons because of drought at planting time and an inadequate system for the provision of pesticides. The delegate observed that the industry is working to develop a permanent solution to the provision of inputs to farmers within the private sector, as the government can no longer support the liberalized industry. The solution is aimed at increasing production and ensuring that each ginner has adequate throughput to justify investments in the cotton sector. The delegate concluded that the liberalization of the cotton industry in Uganda has taken great strides in achieving its objectives and that production should increase in the next few years to the levels of the 1960s. Uganda's country report is a Statement of the Meeting.

The CHAIR recognized the delegate of TANZANIA. The delegate thanked the Government of Paraguay for its warm hospitality and the Secretariat for the arrangements of the Plenary Meeting. The cotton industry in Tanzania depends on unmechanized, smallholder production, low input use, a lack of high yielding seed varieties and total dependence on rainfed cultivation. In order to address this situation, the government has restructured the Cotton Board to let it carry out only regulatory functions; cotton processing and marketing have been totally liberalized. Funds to run research activities are now provided by the industry itself through levies on production, and textile mills are now being privatized. However, the private sector has never adequately made up the vacuum created by the dismantling of the former centralized system of input supply. Cooperative unions, traders and ginners are providing inputs to farmers on credit but on a very small scale. Production is expected to rise next season, provided weather conditions permit, because farmers have been encouraged by increased efficiency in marketing operations. His remarks and Tanzania's country report are Statements of the Meeting.

The CHAIR recognized the delegate of SOUTH AFRICA. The delegate expressed the appreciation of his delegation to the government and people of Paraguay and wished them much success with the five-year reactivation program. The delegate thanked the Chair and the Standing Committee for the effort they put into furthering the aims of the ICAC. The delegate further paid tribute to Dr. Shaw and the staff for the well managed affairs of the ICAC during the past year. The delegate welcomed Burkina Faso into the ICAC. The delegate noted that the past year has been important for agriculture in South Africa and the liberalization program. The old agricultural marketing act, originating from 1937, was replaced with a new act. The old act provided for control boards, which set prices and

implemented single channel marketing systems. The new act has an underlying philosophy of minimum market intervention without a provision for the setting of prices or single channel marketing. The act allows for the introduction of levies for research, market development and mandatory information gathering and regulation of producers and processors. The functions of the Cotton Board will be taken over by a private company. The South African cotton industry has always been exposed to international competition, and the new developments will have a positive impact on the cotton industry, as competing crops will now also be exposed to the uncertainty of international prices. His remarks and South Africa's country report are Statements of the Meeting.

The CHAIR recognized the delegate of SUDAN. The delegate congratulated the government and people of Paraguay for hosting the Plenary Meeting. The delegate welcomed Burkina Faso as a member of the ICAC, and thanked the Secretariat. The delegate noted that Sudan had fully liberalized the cotton sector, but that a lack of financing was posing difficulties for producers. The government recognized problems with the provision of inputs and was developing the means to overcome them. The Government of Sudan was concerned about maintaining cotton quality and reducing contamination. The industry in Sudan was working with the Common Fund for Commodities to reduce the problem of stickiness. His remarks and Sudan's country report are Statements of the Meeting.

The CHAIR recognized the delegate of SPAIN. The delegate expressed his gratitude to the Government of Paraguay for the warm welcome extended to delegates to the Plenary Meeting and acknowledged the Secretariat and the Steering Committee for the quality of the presentations. The delegate welcomed Burkina Faso as a member of the Committee. His remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of AUSTRALIA. The delegate thanked the Secretariat for the organization of the Meeting and the Government of Paraguay for serving as host. The delegate reported that production in Australia rose to a record last season of 613,000 tons, 90% of which was exported. The delegate expressed concern about changes in exchange rates in Asia on the cotton industry and asked for the views of the Secretariat. The delegate noted that cotton is traded in Australia in an open economy and that assistance to the clothing and textile industry is declining. However, he said, the government does join with industry in an active research and development program. He reported recent changes in the structure of the cotton industry in Australia. An Australian Cotton Industry Council has been formed to represent the industry, and the Australian Cotton Foundation has been renamed Cotton Australia. The delegate

extended an invitation from the Australian cotton industry and the Government of Australia to hold the 59th Plenary Meeting of the Committee in the year 2000 in the city of Cairns in Australia. Australia will also host the Summer Olympics that year, and the ICAC Plenary could be timed to immediately follow the games. His remarks and Australia's country report are Statements of the Meeting.

The CHAIR recognized the delegate of BRAZIL. The delegate said he was grateful to be in Paraguay, a sister country in MERCOSUR and a cooperative neighbor. The delegate noted that production in Brazil fell from 900,000 tons to 300,000 during the last decade but that there was hope for a reversal of that trend in 1997/98. There is a concentration of new investments with mechanized processes and improved seeds. The delegate invited others to visit Brazil to see the potential for increased production. The delegate stressed the government's continuing concern for small producers and said that there were programs to support cotton production in the Northeast. The delegate noted that Brazil has long been concerned about the loss of market share for cotton, and that this concern has been heightened with the realization that cotton mill use in Brazil is declining this season. The delegate hoped that this Meeting would adopt concrete measures to improve cotton's place in the world economy. Brazil's country report is a Statement of the Meeting.

The CHAIR recognized the delegate of PARAGUAY. The delegate said that it was a great honor to receive the delegates and observers of the ICAC. The delegate expressed gratitude to the Executive Director and the Secretariat for their help in organizing the Meeting. Even though its share of world production and trade is small, cotton production is important to the economy of Paraguay. The delegate reviewed the history of cotton production in Paraguay and noted the decline during the 1990s because of difficulties encountered by small producers, the arrival of the boll weevil, poor weather in some years and difficulties experienced by farmers in obtaining credit. Because of the reduction in production, only a small proportion of the ginning capacity was being used. However, she said, the Ministry of Agriculture has initiated a five-year cotton development plan to facilitate expanded production by larger producers while continuing to help small producers. The plan includes the application of efficient technology, access to credit, and the use of biological packages to combat pests and increase yields. Specialized technicians will train farmers in each area of Paraguay on the new technology. Under the new plan, increases in cotton area and production are envisioned. Paraguay's country report is a Statement of the Meeting.

The CHAIR adjourned the Second Plenary Session at 6:15 pm.

Third Plenary Session

Tuesday, October 28, 1997, 9:00 am
Mr. Félix A. Stiegwardt in the Chair

The CHAIR called the meeting to order and, before beginning the business of the Third Plenary, recognized the delegate of EGYPT.

The delegate of EGYPT said that, on behalf of his government, he had the pleasure to invite the International Cotton Advisory Committee to hold a Plenary Meeting in Cairo in the year 2002. The delegate also said that his government recognized the importance of this international forum and that he hoped the invitation was accepted. His words are a Statement of the Meeting.

The CHAIR thanked the delegate. He noted that, with the invitation extended by the delegate of Egypt, there were three proposals during this Plenary to hold meetings: In Australia in the year 2000, in Zimbabwe in 2001 and now in Egypt in 2002.

Mr. Oscar Osvaldo Frick, Senior Economist, Bolsa de Mercadorias & Futuros, presented a paper by Mr. José Antonio Esteve of the Board of Governors about the problems of cotton production in Latin America. Mr. Frick noted that the MERCOSUR region accounted for approximately 5% of world cotton production. Cotton production is rising in Argentina but declining in Brazil, and a comparison of conditions in the two countries could provide insights into strategies for raising production throughout Latin America. In Argentina, 90% of cotton area is rainfed, 91% of production is on farms of more than 100 hectares, 52.5% of cotton farmers own more than 1,000 hectares and 85% of the crop is machine picked. In contrast, most farms in Paraguay and Brazil are less than 25 hectares. Mr. Frick observed that the liberalized trading arrangements that emerged after the Uruguay Round tended to favor the largest agricultural producers. He also noted that many cotton-marketing firms in Argentina are also involved in other commodities, thus achieving economies of scale enabling them to finance international trade.

Mr. Frick explained that South American cash prices and New York Futures prices do not always move together. Consequently, the BM&F futures contract is a necessary hedging instrument for the cotton industry in MERCOSUR. The BM&F has 170 members and intends to be a leader in agricultural futures markets in Brazil. Data from the BM&F is available on the Internet. Mr. Esteve's paper, presented by Mr. Frick, is a Statement of the Meeting. (*The paper, which was a part of the program for the Third Plenary Session, was delivered in the Fifth Plenary Session.*)

The CHAIR recognized Mr. José Posse, from

the Secretariat of Agriculture, Livestock and Fishing of Argentina to present the perspectives of his government on cotton in Mercosur.

Mr. Posse described the economic changes of the last five years in the cotton sector in Argentina and the country's perspectives on trade with Mercosur and the rest of the world. He said that the agricultural sector in his country is concentrated in the central plains with production of cereals and cattle operations and that cotton cultivation takes place in northern Argentina. The province of Chaco, he said, is the main cotton region of the country. During the last few years the size of the typical cotton operation has changed, and large farm operations and new provinces have entered the market. He also said that this larger size of cotton farms has resulted in an advance of mechanization, particularly in new producing provinces in the northwest. He said that cotton export revenue was 500 million US dollars in 1996, compared to 900 million in revenue realized by cattle exports. The increases in the exports of cotton, he said, were the result of a two-fold increase in area dedicated to cotton between 1992/93 and 1996/97, with similar increases in seed cotton production from 430,000 tons to 1 million tons. He noted that Argentina is now the world's fifth largest exporter and that this achievement was possible because of relatively high international prices, good weather conditions, correct policies implemented by the country's phytosanitary agency, Senasa, and technification of cotton production. He added that although some new investments in cotton production with agricultural investment funds were in place, suitable financing for small cotton operations was still in need of development and that financing of ginning operations was possible because they had easy access to foreign credit. He added that the changes in Argentina's cotton sector were also the result of a new macroeconomic environment of the country and a liberalization of external trade. He noted that the composition of exports changed during the 1990's and that the main destinations of cotton exports in 1996 were Brazil, United States, Thailand, Chile and Indonesia. Sales to Mercosur, mainly to Brazil, increased rapidly from 5% of total exports in 1990/91 to 36% in 1996/97, as a result of the lowering of intra-region tariffs and the low cotton production levels of Brazil. Mr. Posse concluded that the challenges Argentina faces now are to create better conditions for a competitive textile industry, to resolve the financing of small cotton operations, and to increase yields with the use of new varieties that local researchers have already developed to suit the needs of small producers. Mr. Posse's presentation is a Statement of the Meeting.

The CHAIR called for comments from member

governments and recognized the delegate of BRAZIL, who asked Mr. Posse to expand his remarks about mechanization in Argentina and the effects of the parity of their currency to the US dollar.

Mr. Posse replied that mechanization was mainly possible because parity to the dollar made importation of machinery attractive. Another element impacting mechanization was the ability of ginning operations to find finance abroad. He mentioned that, despite mechanization, quality has been maintained with better ginning techniques.

The CHAIR recognized Miss Andrea Saldanha da Gama Watson from the Division of Agriculture and Commodities of the Ministry of Foreign Affairs of Brazil to present the perspectives of her government on Cotton in Mercosur.

Miss Gama Watson said that total cotton production of Mercosur in 1996/97 was 835,000 tons and that consumption was 960,000 tons, leaving Mercosur with a deficit of 135,000 tons. She said that Brazil is the largest consumer of cotton within Mercosur and has benefited from cotton production of other Mercosur countries. She added that in 1996/97, Brazilian imports amounted to 468,200 tons of which 66% came from Mercosur. Production in Brazil, which was 350,000 tons in 1996/97, is expected to increase to 425,000 tons in 1997/98 and the need for imports will likely be 400,000 tons, of which a greater percent is expected to come from Mercosur. Miss Gama Watson mentioned that cost of production in Brazil is the highest in Mercosur and that the country will improve productivity within three years with the introduction of more modern farming techniques that include hybrid seeds and mechanization of planting and harvesting. She said that the government of Brazil has recognized the need to reduce costs in order to grow cotton competitively in a globalized economy. As a result, new areas of production have been added in the states of Mato Grosso North and South and in Goias, with yields of over 1,000 kilograms of lint cotton per hectare. In addition, in the states of Sao Paulo and Parana, the government started aggressive programs to regain cotton production with both large and small scale production. She added that initial Common External Tariffs of 1% facilitated imports from outside Mercosur and that today's tariff of 3%, which will rise to 6% in 2000, explains the higher percent of imports from Mercosur in 1996. It is expected, she said, that Mercosur's share of total imports into Brazil will continue to increase.

Miss Gama Watson also said that Brazil has today a maturing economy after the success of the country's stabilization plan, called Plano Real, initiated in 1994. There is strong control over

exchange rates that keeps inflation in check. However, the balance of payments has turned unfavorable, and higher competition from liberalized imports have forced the textile industry to restructure and downsize. She added that on the production side the stabilization plan was more dramatic, as high interest rates and currency appreciation impacted costs. Finally, Miss Gama Watson said that the outlook for the cotton industry in Brazil and its partners of Mercosur is extremely positive, but that there is concern about the declining share of cotton in fiber consumption. Miss Gama Watson's presentation is a Statement of the Meeting.

The CHAIR recognized Mr. Aristides Raidan and Mr. Pedro Daniel Roa from the divisions of Planning and Commercialization of the Ministry of Agriculture and Livestock of Paraguay to present the perspectives of their country on cotton in Mercosur.

Mr. Raidan said that the first cotton program in Paraguay was established in 1972/73 and that cotton production has registered rapid increases since. He said that production increased from 17,485 tons of seedcotton in 1970/71 to 642,663 tons in 1989/90. However, in 1996/97 production reached only 191,355 tons. The declines in cotton production during the 1990s are the result of fluctuating international prices, lower soil productivity, adverse weather conditions that limited seed production, the small scale of production, the incursion of the boll weevil and insufficient credit and technical assistance. Mr. Raidan said that recognizing the importance of cotton for Paraguay and the declining levels of production, the Ministry of Agriculture had devised a five-year cotton reactivation plan to be reviewed by Mr. Roa. Mr. Roa said that the objectives of the plan were to increase cotton production and stabilize area. To this end, he said, the strategies were to create the conditions to increase productivity and profitability in order to have producers recover confidence in cotton production and to develop complementary crops to transform small farms into economically and ecologically sustainable units. He said that specific actions will include the management of the boll weevil with the opportune clearing of fields, the recovery of soils with the addition of green fertilizers and crop rotation, the use of treated seed with 70% or more of germination, the careful selection and quality control of insecticides, the opening of credit to small farmers complemented with the provision of technological packages of crop and input management, technical assistance, and rapid transference of the results of research. The goal of the plan is to incorporate up to 180,000 farmers in an area of 320,000 hectares with a likely production of 640,000 tons of seedcotton. With respect to Mercosur, Mr. Roa said that the common market is still in a developing process, with the Customs Union having started in January 1995. He said that the impact of Mercosur upon the cotton sector was illus-

trated by increased exports to the region. He added that within the Trade Commission of Mercosur, only one consultation raised by Argentina to Paraguay has been called and it was mutually solved and did not become a formal reclamation. He said that non-tariff restriction issues have also been consulted, in relation to economic measures recently adopted by Brazil regarding external trade that have generated some conflict. He also said that an important element of Mercosur in regard to cotton trade is that there is a harmonized phytosanitary regulation.

In conclusion, Mr. Raidan said that it is highly probable that the producer of cotton under Mercosur is more prepared to act in a free market because he has not been protected, as is the case in other countries. He added that in South America agricultural production will incorporate new actors with new strategies and demands creating more stability of costs. Mercosur is in transit from a relatively high cost cotton production region to a competitive region. The paper by Mr. Raidan and Mr. Roa is a Statement of the Meeting.

The CHAIR called for comments from member governments and recognized the delegate of ARGENTINA who asked if the reactivation plan included a boll weevil management or an eradication program

The CHAIR recognized the delegate of PARAGUAY who said that, in conformity with international agreements, there is a dual strategy in Paraguay regarding the boll weevil, an eradication strategy along the borders and a management strategy in the rest of the country.

The delegate of the USA noted that the preceding discussion on MERCOSUR addressed the internal and common external tariffs for cotton and possible effects of MERCOSUR on cotton trade between member countries. She asked for similar information concerning cotton textiles.

The CHAIR next recognized the delegate of BOLIVIA, Mr. Carlos Correa, President of the Bolivian National Cotton Producers Association (ADEPA) to present the perspectives of his country on cotton in Mercosur.

Mr. Correa thanked the government of Paraguay for the hospitality offered and invited delegates and observers to watch during the remaining coffee breaks a video about cotton and the agricultural sector of Bolivia, where delegates could have a glance of Santa Cruz de la Sierra, host city of the 57th Plenary Meeting in 1998. He added that next year delegates will arrive to the lands of the Andean Market, which he hoped would be closer to Mercosur than it is today. He said that the exact date of the Plenary Meeting will be announced before Friday.

Mr. Correa said that the model of free market adopted by the Bolivian government in 1985 to secure sustained, dynamic and integrated eco-

nomical growth created an environment of economic, political and social stability in the country. Such a favorable environment generated dramatic growth in the economy of the department of Santa Cruz, which is now the center of gravity of the national economy. The region contributes 32% of the GDP of the country and 43% of nontraditional exports. With its potential and geographical location in the heart of America, the region is rapidly turning into an international hub connecting countries in the Atlantic and the Pacific rims. Cotton is one of the most suitable crops for the region but has lacked markets. In 1990, with the opening of the Andean Pact markets, cotton production was reactivated, and area began increasing from 1,215 hectares that year to 52,062 hectares in 1997. Current area dedicated to cotton is only 5% of the potential cotton area in the country. Mr. Correa said that between 1990 and 1996 the traditional markets for Bolivian cotton were the Andean Pact countries, capturing 90% of exports, but that this situation was radically modified in 1997 with the opening of Mercosur markets. In 1997, 50% of exports went to Peru and 40% went to Brazil. Bolivia enjoys no tariffs in both the Andean Pact and Mercosur, with the only exception being Paraguay, where there is a 21% tariff on raw cotton. In addition, Chile has also removed all tariffs on Bolivian cotton. Given this rapid expansion of markets, production of cotton in 1997 was insufficient to cover demand. Recognizing the potential of the cotton sector, ADEPA devised the National Cotton Plan in order to bring more modern technology to the sector, lower the cost of cotton production inputs, and have better access to credit. The Plan, which will increase area to 200,000 hectares in 2001, includes a seed program, integrated pest management, mechanization of harvesting, and the improvement of the sources of financing, including foreign credit. Finally, Mr. Correa said that the rapid economic growth of the region has interacted with cotton production increases and that the economic outlook of the Santa Cruz region calls for even more rapid increases securing the chances for a successful completion of the National Cotton Plan. Mr. Correa's paper is a Statement of the Meeting.

The CHAIR recognized Mr. Pat Apperson, Rothschild Australia Limited, to present a paper on what South American producers can learn from the Australian hedging experience.

Mr. Apperson said that Australia experienced a very rapid growth of cotton production during the last 20 years and that today is one of the most efficient cotton producers in the world. He added that the Australian cotton sector is composed of 1200 producers, 12 marketing organizations, 30 gins and 6 spinners; there is no government intervention and no futures contract. He noted that the only limit to cotton production in Australia is water. He said that domestic prices in Australia have a close correlation with New

York Futures and are as volatile as the Cotlook A Index. Mr. Apperson said that the tools utilized for hedging in Australia have grown from under servicing growers in the 1960s to over servicing growers today. Currently an Australian grower can use forward contracts, futures and deferred prices for hedging to arrive, futures and options pools. He said that the strategy is to look at price correlations such as Australian prices vis-à-vis those in the United States and to obtain and analyze as much information as possible. Mr. Apperson suggested that the South American grower must look at both Australian and US prices but that he also must understand that those markets are substantially different. He said that risk management is of utmost importance given that cotton is expensive to produce and, therefore, profits should be sufficient. Fi-

nally Mr. Apperson said that an action plan to incorporate hedging into risk management in South America would include education about the subject and a continuous assessment of the location and specifications of the contract. Mr. Apperson's presentation is a Statement of the Meeting.

The CHAIR opened the floor for questions and comments and recognized the delegate of ARGENTINA, who thanked Mr. Apperson for his presentation and said that in Argentina there is no institution that supports prices at a certain level to the producer. He added that Argentina considers the futures market a very important tool for risk management and that Argentina was already implementing an education program, having invited to the country Mr. Donald Conlin from the New York Cotton Exchange and a rep-

resentative of the commodities exchange in Sao Paulo. He said that currently the possibility of opening a futures market in the country is being addressed. The delegate said that a futures market was particularly important for countries that do not have floor prices through loans and other government programs.

The CHAIR recognized the delegate of TURKEY who asked what percent of the Australian cotton was hedged.

Mr. Apperson replied that virtually 100% of Australian cotton is hedged, that about 95% of the cotton is forward contracted to merchants who, in turn, hedge close to 100% of it.

There being no other questions, the CHAIR adjourned the Meeting at 12 noon.

Fourth Plenary Session

Tuesday, October 28, 1997, 2:00 pm
Mr. Félix A. Stiegwardt in the Chair

The CHAIR recognized Mr. Carlos Valderrama, Economist, ICAC Secretariat. Mr. Valderrama reviewed the current state of cotton's competitiveness. He noted that cotton's world market share fell from 45.2% of textile fiber consumption in 1995 to 44.7% in 1996 and that cotton had lost more than 4 percentage points of market share since 1990. The loss in market share represented a cumulative reduction in world cotton use of 6 million tons. In the region comprising Eastern Europe and the former USSR, cotton's share of fiber use fell from 49.4% in 1992 to 39.3% in 1996. In developing countries as a group, cotton's share of fiber use fell by 0.5% to 46.6% in 1996, and in industrial countries, cotton lost 1 percentage point of market share in 1996, falling to 43.6%. In developing countries, cotton's share of the fiber market has fallen each year during the 1990s, and the decline in 1996 was not unusual.

Mr. Valderrama explained that a shift in fiber prices in favor of competing fibers accounted for only part of the loss in market share for cotton in the past decade. He noted that the price elasticity of demand for cotton has fallen since 1990, meaning that consumer purchases of cotton products have not been keeping pace with increases in income. Current projections are that cotton's share of world fiber use will fall to 44% in 1998. Statistics presented by Mr. Valderrama are found in World Textile Demand, a document of the Meeting.

The CHAIR recognized Mr. Suresh A. Kotak, Chairman, East India Cotton Association. Mr. Kotak presented a paper on "Improving Cotton's Competitiveness in Developing Countries: The Case of India." Mr. Kotak noted that cotton's

loss of market share had been most pronounced in developing countries. The reasons for the loss of market share in developing countries are a lack of price competitiveness and a lack of non-price competitiveness, including factors such as inferior spinning characteristics for cotton and desirable consumer attributes for synthetic fibers in developing countries such as durability. In the case of India, Mr. Kotak noted that the government had originally placed heavy import duties and taxes on chemical fibers when they were first introduced in the 1960s. However, during the 1980s, consumer preferences turned in favor of blended fabrics, the synthetic fiber production capacity in India rose, and cotton production did not keep pace with the rise in demand. As a consequence, the government reduced import duties on synthetic fibers from 165% in 1981 to 35% in 1996, and the mill-gate prices of synthetic fiber and cotton in India are now approximately equal. Cotton's share mill fiber use in India fell from 80% in 1990/91 to 68% in 1995/96.

Mr. Kotak next asked how this challenge should be met. He suggested that cotton should capitalize on its strengths of comfort, absorbency, production in many countries, and versatility, while also taking account of its weaknesses, such as fluctuation in prices, contamination, inferior strength and uniformity. He urged delegates to recall that synthetic fibers have many weaknesses, including being uncomfortable. Mr. Kotak urged the cotton industry to work to reduce the cost of production by developing higher yielding and shorter season varieties, by expanding the use of integrated pest management techniques to reduce pest control costs and protect the environment, by using natural fertilizers, by improving ginning ratios and by increasing the oil content of cotton seeds. He suggested that

the industry develop new technologies to check fluctuations in production and prices. He suggested that there be increased marketing efficiency. He urged producers to tailor quality to spinners' demands and to eliminate contamination, which is the bane of the textile industry. He felt that to accomplish these goals it would be necessary to coordinate activities among segments of the industry. And he stressed that an important component of an overall improvement strategy is market promotion. Mr. Kotak concluded by reminding the delegates of the importance of cotton production to the livelihoods of millions of persons and the need for action to improve cotton's place in the world economy. Mr. Kotak's presentation is a Statement of the Meeting.

The CHAIR introduced Mr. Victoriano B. Leviste, Chairman, Standing Committee. Mr. Leviste presented Working Paper II from the Standing Committee on Proposals to Arrest the Decline in Cotton's Market Share. Mr. Leviste noted that the 55th Plenary Meeting had instructed the Secretariat and the Standing Committee, together with invited experts, to prepare specific proposals for arresting the decline in cotton's market share. During 1996-97, the Standing Committee had received a background paper from the Secretariat and had conducted a program of hearing views from specialists from member countries with experience in promotion programs. Based on the information gathered at these meetings, the Standing Committee recommended that the International Cotton Advisory Committee:

1. Encourage efforts of the private sector to develop industry plans to increase world cotton consumption and, at the discretion of individual member countries, to provide support to these efforts.

2. Urge governments to encourage national and international efforts to expand domestic as well as world cotton consumption.

3. Through dissemination of information and encouragement of research, to encourage:

All means possible to increase cotton yields;

Work to improve cotton varieties and cotton ginning to produce cotton with fiber properties more suitable for the modern textile industry;

Work for the reduction of contamination of cotton bales with foreign material;

Efforts to reduce the incidence and impact of honeydew on cotton lint.

4. Urge governments to improve market access in their own countries for cotton and cotton products as well as to work together to improve market access around the world.

5. Monitor, discuss and disseminate information about these efforts, with a view to appropriate action by the ICAC in the future.

The CHAIR recognized J. Nicholas Hahn, President, Cotton Incorporated, USA. Mr. Hahn declared that 1997 should be a year in which the world cotton industry received a wake-up call regarding the need for coordinated action. He recounted the proceedings of a conference in March 1997 on the future of cotton production where many speakers stressed the increased threat posed by synthetic fiber production capacity. At a meeting of the International Apparel Manufacturers Federation in Hong Kong in May, several speakers also stressed the progress made by synthetic fiber manufacturers in improving the technical capabilities of their products. At a meeting of American Apparel Manufacturers, chemical fiber producers reported that sales were increasing dramatically and that technology had been developed to reduce the cost of polyester production by 15%. A meeting of the International Textile Manufacturers Federation in October seemed to be dominated by synthetic fiber manufacturers who presented papers describing continued increases in synthetic fiber production and gains in market share over the next three years. The theme of the papers presented at the international meetings was that production and sales of polyester and other synthetic fibers were increasing rapidly and that cotton use would remain stable or decline. Mr. Hahn urged delegates to become emotionally involved in cotton's future. He pointed out that polyester filament production might rise faster than production of staple fiber because of technical advances in finishing methods.

Mr. Hahn asked whether the world's cotton producers should walk away from sales of fiber at 60 cents per pound, concentrating instead on premium fiber markets. Such a strategy would result in a loss of market share for cotton and

would mean that the current level of world cotton production of approximately 20 million tons could not be sustained. He noted that cotton business seemed adequate at the current time, with production and consumption rising and prices above average. However, he urged delegates to remember that losses in market share could not continue forever without a loss in absolute demand. He acknowledged that it might be difficult for delegates to get energized about a potential problem that had not yet begun to pinch.

Mr. Hahn noted the success of the National Cotton Council of America (NCC) in the USA in bringing together the seven core segments of the cotton industry, along with affiliated industries such as trucking firms and agricultural chemical manufacturers. The NCC has been able to unite the various groups within the USA to work in a cooperative fashion toward solving problems in the cotton industry. Mr. Hahn noted that the creation of a World Cotton Council (WCC) to represent the interests of all segments of the cotton industry could produce the same results on an international level. He suggested that the WCC be composed of private industry representatives, not government, and that the organization strive to reduce the cost of world cotton production, ginning and handling and to make the global cotton infrastructure more competitive and efficient. He suggested that a WCC could oversee a world research and promotion program, with Cotton Incorporated in the USA serving as a model for such a program. Mr. Hahn noted that the 1998 Cotton Incorporated budget is US\$70 million, raised entirely through a levy on cotton produced in the USA and on cotton imported into the USA in textiles and apparel. If the US alone can raise \$70 million, Mr. Hahn felt that other countries could raise significant amounts for cotton research and promotion.

The delegate of BRAZIL said that, as indicated at the Standing Committee, his delegation continued to think that the recommended proposal to arrest the decline in cotton's market share still has room for improvement. He said his delegation was convinced that the ICAC must have a stake in any organized efforts of the private sector; otherwise ICAC would lose influence, contact and any input from such initiatives. The delegate proposed to leave the five items in the recommendation as they are but to include, as a first item, a paragraph that the ICAC would make available Secretariat and administrative resources free of charge to any approved organization set up by the private industry. His remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of ARGENTINA who supported the proposal of Brazil. The delegate referred other delegations to the discontinuation of the textile survey conducted and published by the FAO. The delegate urged delegates to find specific ways to have this survey reinstated and exhorted delegations to, again,

express this need through the proper channels in their countries directly to FAO. The absence of the survey, he said, would greatly diminish the efforts to visualize the competitiveness of cotton and its market share in many consuming countries.

The CHAIR recognized the delegate of BELGIUM, who on behalf of the European Union said that there is no convincing evidence that it is necessary to adopt the recommendations of the Standing Committee; there is no urgency or emergency. He said that production and consumption of cotton in the world are balanced and therefore the European Union has a reservation in principle regarding the recommendation. However, he added, if the majority favors their adoption, there is a need to stress that the initiative of promotion should come from the private sector which should take the responsibility for development and funding of such efforts, that no support would be given to promotion efforts that could have budgetary implications for ICAC, and that government efforts should be to encourage, if necessary, national and international efforts to expand domestic as well as world cotton consumption. His remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of TURKEY, who thanked the last three speakers for their presentations and noted that Mr. J. Nicholas Hahn's presentation was sensitive to the price issue and that he drew a line at 60 cents per pound. He added that it is not certain that if cotton prices fall to polyester levels, cotton's market share would increase. The delegate stated that most countries do not have subsidies and would not be able to produce at lower price levels. He also noted that as illustrated in the video presented by Mr. Hahn, cotton is just an ingredient of a finished product and its price represents a small fraction of the total cost, and that, as a result, a 50% decline in cotton prices would make a small difference in prices paid by consumers. He added that Mr. Hahn's proposal to create a World Cotton Council requires detailed evaluation and answers to a number of questions. The delegate said the cotton industry should strive to overcome the technical weaknesses enumerated in Mr. Kotak's presentation. Finally, the delegate fully supported the proposal made by Brazil and said the ICAC should play a role in any plan of action related to arresting the decline of cotton's market share. His remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of GERMANY who expressed deep appreciation and gratitude to the government and people of Paraguay for allowing his delegation to enjoy their hospitality. The delegate said that a review of the current cotton situation shows that, at the moment, there is no decline in cotton consumption, that the price of cotton is high, that the demand for cotton as a natural fiber is not endan-

gered, and that the world of cotton is doing well and there is no need for public cotton promotion. He said that promotion is part of the selling activities in a market and that it is not a part of governmental activities. The delegate said that ICAC should have a role in defending cotton, but that its contribution is to provide information to those in charge of promotion activities. The delegate supported the proposals made by Brazil and the views of Belgium.

The CHAIR recognized the delegate of the UNITED KINGDOM who thanked the government of Paraguay on behalf of the British delegation for hosting the Plenary Meeting. He noted that the warm welcome, the friendliness of the people of Paraguay and the charm of the capital city will be amongst the memories that delegates will take with them. He further thanked the Government of Paraguay and the Secretariat for the arrangements they had made for the Plenary, including the work of interpreters. The delegate supported the suggestion of Brazil to provide statistics and other information to an approved organization and said that, with reference to the presentation of Mr. Kotak, who spoke of the need for improved cotton production technologies and better fiber quality, he wished to mention a British invention that could possibly transform the ginning process maintaining the quality of raw cotton and, thus, assist cotton spinners. He said that ginning technology has changed little over the years and that recently two British inventors, Mr. Keith Thompson and Mr. Trevor Payne, have devised a machine that uses a rotary process to separate the fiber from the seeds which are channeled away by a stream of air. The delegate noted that the design and development of a prototype had been assisted by a grant from the UK Department of Trade and Industry and that so far the invention had been very well received by the cotton industry. He finally noted that 1997 marks the 50th anni-

versary of the UK joining the ICAC and that the UK continues to support the work of the Committee and hopes to continue to make distinctive contributions, such as the mentioned invention, to improve the competitive position of cotton. His remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of EGYPT who congratulated the last three speakers and said that they made delegates so sensitive to the situation of decline in share that it was no longer possible to think rationally of fiber competition. He added that there is a lack of evidence that cotton is endangered by competition and that in the case of Egypt the cotton sector is improving quality, which will likely keep the country's sector from the kind of situation described. The delegate noted that the suggestions made might be good, but that they need more study and discussion.

The CHAIR recognized the delegate of SPAIN, who, on behalf of his delegation, supported, in general, the views of the delegates of Brazil, Germany and Belgium. He added that another form of supporting consumption and competitiveness of cotton through the ICAC would be to develop projects under the Second Account of the Common Fund for Commodities.

The CHAIR recognized the delegate of the USA who expressed support for worldwide efforts to bolster cotton's market share. She noted that, based on past experience, such international efforts would best be undertaken by the private sector. She said that for such efforts to succeed, countries must be willing to promote cotton consumption within their own markets. The delegate concurred with the delegate of Brazil that the ICAC could facilitate private sector efforts through providing statistical information and as a forum for discussion of these initiatives. She concurred with Brazil's caveat that these supportive services should have no impact on the

budget or the Secretariat's costs. She reiterated the USA position that no ICAC funds be directed to such support.

The CHAIR recognized the delegate of SOUTH AFRICA, who supported the proposal of BRAZIL and said that his delegation would go a step further to become more actively involved than proposed. The delegate inquired in practical terms about what would ICAC specifically do.

The CHAIR recognized the delegate of BRAZIL, who in reply to the question of South Africa said that activities would be determined at the discretion of member countries and the specific mechanisms could be discussed between delegates and the Executive Director.

The CHAIR recognized the delegate of AUSTRALIA, who expressed support for the proposition of Brazil to use the infrastructure and resources of ICAC as a catalyst to increase the relative demand for cotton, with any funding coming from private sources.

The CHAIR recognized the delegate of PARAGUAY, who supported the proposal of Brazil and added that ICAC should incorporate aspects related to the recent evolution of the world textile industry. He said the modernization of the textile industry has created needs that are not satisfied by cotton, in particular cotton resistance related to the speed of machinery. He finally noted that any worry about cotton's market share is biased if a vision of what is happening in the textile industry is not taken into account.

In summarizing the discussion, the CHAIR noted that the proposal of Brazil was supported by a majority of countries to help private sector-funded activities with the resources and infrastructure of ICAC. He noted the agreed proposal included the coordination of such efforts by the Executive Director.

The CHAIR adjourned the meeting at 6:00 pm.

Fifth Plenary Session

Wednesday, October 29, 1997, 2:15 pm
Mr. Félix A. Stieghardt in the Chair

The CHAIR recognized the delegate of the UNITED KINGDOM. The delegate announced that a newspaper article about a newly developed cotton gin produced by Templeton International had been copied and distributed to delegates.

The CHAIR recognized the delegate of BURKINA FASO. The delegate expressed his appreciation to members for ratifying the membership of Burkina Faso in the ICAC. He also thanked the Government of Paraguay for its hospitality. He reported that production in Burkina

Faso was expected to increase 40% to 100,000 tons this season. Cotton accounts for 55% of foreign trade earnings for Burkina Faso. He voiced support for proposals to defend cotton's share of world fiber use and called on other countries to join in the effort to improve the world cotton economy. His remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of MALI. The delegate thanked the Government of Paraguay for its warm welcome and hospitality. He was happy to welcome neighboring Burkina Faso as a member of the Committee. The delegate observed that cotton was a primary prod-

uct export for Mali and that production was doubling between 1990/91 and this season and is expected to reach more than 200,000 tons on 475,000 hectares this season, with average seed cotton yields of between 1,100 and 1,200 kilograms per hectare. There are three million people employed in the cotton sector in Mali. The government has created a partner agency to work with the cotton sector. Cotton production has an optimistic future. Objectives of the cotton campaign are to stimulate production of other crops and protect arable land. Mali supports efforts to protect cotton's share of market. His remarks and Mali's country report are Statements of the Meeting.

The CHAIR recognized the delegate of PARAGUAY. The delegate praised the presentation given by Mr. Frick of the BM&F (reported at the Third Plenary Session). The delegate asked what proportion of Brazilian cotton production is controlled by cooperatives and what proportion is handled by private traders. The CHAIR asked the Brazilian delegation to consider the question and report at a convenient time.

The CHAIR recognized Mr. Alberto Campeas, Director, Textiles Division, World Trade Organization. Mr. Campeas thanked the Government of Paraguay and the Secretariat for the invitation to attend the Plenary Meeting. He reported that world exports of textiles and clothing rose 47% to \$313 billion between 1990 and 1996, the same rate of expansion as overall world merchandise trade. He observed that the current period is one of transition during which the network of bilateral quotas affecting trade in textiles and apparel will be dismantled by 2005. The process of integration into WTO rules is being carried out in three stages, which began in 1995.

Mr. Campeas noted the increased importance of regional trade agreements, such as MERCOSUR. He reminded delegates that GATT drafters had viewed regional agreements as constructive to liberalized world trade, but observed that regional agreements can not substitute for a multilateral trading system. He reported that China (Mainland), Russia, China (Taiwan) and Uzbekistan have applied for WTO membership. He also reported that the dispute settlement system is being used frequently and that two textile disputes have gone through the process. He concluded by reporting that the WTO will continue its work toward achieving global trade liberalization. The presentation from the WTO is a Statement of the Meeting.

The CHAIR recognized Mr. Michael Fok, CIRAD. Mr. Fok thanked the Government of Paraguay for its hospitality. Mr. Fok spoke about the relationship between cotton and economic development, observing that technical knowledge alone was not sufficient to raise cotton yields and that other factors must also be considered. He noted that in most cases in which cotton had played a significant role in economic development, significant government participation in the sector was common. The government's most effective role is in improving the way that markets function. Since market conditions vary across countries and at different times, the form of government participation in the cotton sector should vary with conditions. According to Mr. Fok, it is unfortunate that many of the changes in cotton policies being implemented at this time are occurring without the benefit of an analysis of the impacts of market imperfections. The presentation from CIRAD is a Statement of the Meeting.

The CHAIR recognized Mr. Andrew Macdonald, Chairman of the ITMF Spinners Committee. Mr.

Macdonald thanked the Government of Paraguay and the ICAC for the opportunity to present his views. He noted that cotton's dwindling market share is of concern to the ITMF Spinners Committee, and he endorsed efforts to promote cotton consumption. He added that improved quality and efficient marketing are also necessary to the improvement of cotton's place in the world. He called attention to ITMF publications on contamination and observed that contamination is a persistent problem and has improved only a little in recent years. He urged all ICAC members to confront cotton's problems and to realize that the customer is always right. Mr. Macdonald asserted his belief that a good quality cotton product would be sustained by consumers, provided there was effective promotion.

Mr. Macdonald recommended that the Committee adopt the views expressed by Mr. Kotak in his presentation during the Second Plenary Session, and that a synthesized version of Mr. Kotak's recommendations be used as a checklist for improvement by cotton producing countries. Mr. Macdonald also suggested that the Committee use stronger language in the document on improving cotton's market share and called for specific actions by the cotton industry. The presentation by ITMF is a Statement of the Meeting.

The CHAIR asked Dr. Townsend of the Secretariat to respond to a question asked earlier by the delegate of Australia regarding the impact of currency devaluation in South East Asia on cotton mill use and imports. Dr. Townsend reported that mill use in the four countries most affected by currency devaluation since June, Indonesia, Thailand, Malaysia and the Philippines, totaled one million tons. Domestic consumption of cotton at the retail level in the four countries is estimated at 400,000 tons. The currency devaluations have temporarily reduced consumer incomes and real economic growth, and it is likely that consumer purchases of cotton products in the four countries will be reduced, perhaps by as much as half during the current season. However, the export industries of the four textile producing countries will be made more competitive by the devaluations, and the increase in textile production for export could offset the decline in domestic demand. The Secretariat does not expect mill use of cotton and imports to decline in 1997/98 as a result of the changes in currency values.

The CHAIR recognized the delegate of ARGENTINA, who asked whether the longer-term impacts of disruption to the global economy started by the devaluation of currencies in South East Asia and followed by the sharp drop in the New York stock market on October 27 might not have a negative impact on cotton consumption.

The CHAIR asked Dr. Townsend to respond. Dr. Townsend noted that fluctuations in stock market values did not always translate into changes

in real economic growth. At this time, he said, real world economic growth is expected to remain strong, and cotton consumption is expected to continue rising.

The CHAIR recognized the delegate of TURKEY. The delegate thanked Mr. Macdonald for his presentation. The delegate proposed that the Committee enumerate the guidelines given in Mr. Kotak's speech to encourage countries to make progress toward improving cotton's quality.

The CHAIR recognized the delegate of SOUTH AFRICA. The delegate supported the proposal of Turkey to use the guidelines set forth in Mr. Kotak's speech as a basis for a tangible action plan to be taken by each country. The delegate suggested that time be set aside at future Plenary Meetings to review progress based on the document.

The Chair speaking as the delegate of PARAGUAY endorsed the suggestions of the delegates of Turkey and South Africa and instructed the Secretariat to prepare a list of recommendations for distribution to all members. He felt that the Committee should review the list at next year's Plenary Meeting.

The CHAIR recognized the delegate of AUSTRALIA who thanked the Secretariat for the response to his question. The delegate asked whether the decline in the values of South East Asian currencies would not make cotton more expensive to importing countries and thus reduce the quantity imported.

The CHAIR asked the Secretariat to respond. Dr. Townsend noted that the purchase of cotton for domestic retail sale in several countries would be curtailed, but that earnings on exported products would exceed the increased cost of cotton in domestic currencies. Because over half of cotton mill use in Indonesia, Thailand, Malaysia and the Philippines is used in products destined for export, the net effect of the currency devaluation was not expected to be negative.

The CHAIR recognized the delegate of ARGENTINA, who introduced Mr. Agustín Simonella of INTA. Mr. Simonella reported that the cotton industry in Argentina has organized an annual cotton fair known as Expo Algodón which gives farmers an opportunity to view new equipment and cultural methods used in the production of cotton. He introduced a videotape documenting Expo Algodón 1997. The videotape was shown to delegates.

The CHAIR recognized Mr. Michel Fok of CIRAD, FRANCE. Mr. Fok demonstrated a CD-ROM produced by CIRAD. The CD contains information about cotton, cotton pests, cotton countries in Francophone Africa and other information about cotton. The CD is written in French.

The CHAIR introduced Mr. Jonathan Spenser of ISRAEL. Mr. Spenser thanked the ICAC and

the Technical Information Section of the Secretariat for its commitment to the promotion of cotton research. He noted that Israel is a small cotton producing country that does its best to lead the world in outstanding production performance and the highest quality. The delegate introduced videotape highlighting the cotton industry in Israel. The tape was shown to delegates. His remarks are a Statement of the Meeting.

The CHAIR introduced Mr. S. F. Chiu of CHINA (TAIWAN). Mr. Chiu presented a paper by S. F. Chiu and J. C. Li, of the Ministry of Economic Affairs, Taipei, about the cotton spinning industry in China (Taiwan). The number of spindles in China (Taiwan) rose from 8,300 in 1949 to 4.5 million in 1989 before falling to 3.1 million in 1997. The number of cotton spindles in China (Taiwan) is declining because of competition from chemical fibers, a shortage of labor estimated at 100,000 people, the increased cost of cotton, a rise in textile imports, and concerns about yarn quality. Cotton's share of mill fiber use in China (Taiwan) fell from 24% in 1987 to 11% in 1995. The delegate listed a number of strategies that the cotton spinning industry in

China (Taiwan) is using to survive. The industry will increase automation and improve quality, import labor and reduce costs, stress high-value product development, improve the speed of design, manufacture and delivery to customers, and pursue overseas investment and product differentiation. The delegate concluded that the cotton spinning industry in China (Taiwan) has a future, provided that the industry responds to strong competition by differentiating its production and reducing delivery times to maintain the advantage of the finishing process. The paper by Mr. Chiu and Mr. Li is a Statement of the Meeting.

The CHAIR introduced the delegate of GREECE. The delegate invited participants to the Second World Cotton Research Conference from 6-12 September 1998 in Athens. The theme of the Conference will be New Frontiers in Cotton Research. The delegate thanked the ICAC for the organization of the Plenary Meeting, the Government of Paraguay for its hospitality, and welcomed Burkina Faso as a new member of the Committee. The delegate introduced videotape

highlighting the cotton industry in Greece. The tape was shown to delegates. Her remarks are a Statement of the Meeting.

The CHAIR recognized the delegate of the USA. The delegate expressed appreciation to the Government of Paraguay for hosting the Meeting, thanked other delegates and participants for sharing their insights and views, and welcomed Burkina Faso as a new member of the Committee. The delegate summarized the upland and ELS situations in the USA. Large upland and ELS crops are expected this season. Mill use of upland cotton in the USA may rise, but smaller exports are expected because of an increase in production in other exporting countries. Consequently, ending stocks of upland cotton in the USA may rise this season. Mill use of ELS cotton in the USA is expected to remain about the same as last season, and exports are expected to remain large. Nevertheless, ending stocks of ELS cotton may rise during 1997/98. Her remarks are a Statement of the Meeting.

The CHAIR thanked all delegates for their views and adjourned the Session at 6:00 pm.

Closing Plenary Session

Friday, October 31, 1997, 10:20 am
Mr. Félix A. Stiegwardt in the Chair

The CHAIR informed delegates and observers that the Steering Committee had earlier approved a final statement of the Meeting, which would be distributed at the close of the session.

He further informed delegates that the 57th Plenary Meeting would be held in Santa Cruz de la Sierra, Bolivia, from 12 to 16 October, 1998, at the invitation of the Government of Bolivia.

He thanked all delegates and observers for their work and for making the Meeting a success. He asked the Minister of Agriculture for his comments.

The Minister, Ing. Cayo Franco, thanked the representatives of the countries gathered for the opportunity which they had given Paraguay to host the Meeting. He said he hoped that delegates would take back the warmth of the people of Paraguay to their countries. He said he was happy that representatives from all over the world could meet in Paraguay with the task of improving the world cotton situation. These days, he commented, had strengthened the ties among all persons and organizations attending the Meeting. He said that he hoped that all had received a positive impression of the people and government of Paraguay and asked delegates to forgive them if there were some failures or mistakes.

The CHAIR opened the meeting for closing remarks.

The delegate of ARGENTINA thanked the Government of Paraguay for its organization of the Meeting and its contribution in the days that delegates had spent in the Guarani land. He said he sincerely hoped that the government and people of Paraguay would succeed in their efforts in reactivating cotton production. He congratulated the staff and Executive Director of the ICAC and the interpreters for a job well done, especially for the excellent Spanish interpretation which was a special benefit to his delegation. He thanked all the employees of the Ministry of Agriculture, including its Minister and Vice Minister, who helped in the work of the meeting and who have demonstrated the spirit of the Paraguayan people. He looked forward to meeting next year in Bolivia, which was just starting its cotton production.

The delegate of EGYPT expressed thanks to the government and people of Paraguay and appreciated the good work of the Executive Director and the Secretariat. He also thanked the interpreters for their excellent efforts. He recognized the contributions of fellow delegates and thanked them for their contributions to the Meeting. He wished the Committee all success and delegates a safe journey to their homes.

The delegate of TURKEY took pleasure in expressing his delegation's appreciation to the government and people of Paraguay for their hospitality. He assured the Minister of Agriculture that there were no mistakes or failures. He

also thanked the ICAC Secretariat for their efficient work before and during the Meeting. The delegate wished all a productive cotton season. He expressed thanks to the Chair for his excellent conduct of the Meeting.

The delegate of SUDAN expressed thanks and gratitude to the government and people of Paraguay for their warm welcome and hospitality as well as the excellent treatment which delegates received during the 56th Plenary Meeting. He thanked the government of Paraguay for its invitation which had allowed his delegation to get to know this part of the world. The delegate also thanked the Executive Director and the Secretariat for the excellent preparation for the meeting and their efforts, thanks which he extended to the Ministry of Agriculture and its Secretariat, the interpreters and all persons contributing in the Meeting. He wished all a safe journey home in the hope that the work accomplished in the Meeting would lead to a more effective cotton industry.

The delegate of INDIA thanked the Chair and Vice Chairs of the Meeting, the staff of ICAC and all who participated, as well as the government of Paraguay, for a successful meeting.

The delegate of BOLIVIA thanked Paraguay for its brilliant organization of the Meeting and its hospitality and pleasantness. He said he looked forward to seeing all participants in Bolivia October 12-16 next year.

CHINA (TAIWAN) joined other delegations in expressing appreciation to the Chair, the Vice Chairs and the government and people of Paraguay for their hospitality. He recognized the excellent work of Dr. Shaw, the Executive Director, and all the professionals in the Secretariat and thanked them for their dedication during the year. He said that he hoped that the harmony expressed in this meeting could continue in the future. He noted that China (Taiwan) was proud to be a member of the organization.

The delegate of the USA reiterated her delegation's profound gratitude to the government of Paraguay, the Ministry of Agriculture and the people of Paraguay for their outstanding accomplishments in organizing the 56th Plenary Meeting. She congratulated the Chair for his leadership. She added that no Plenary could succeed without the hard work and dedication of the Executive Director and the Secretariat staff. She said this highly professional group merits the deep appreciation of delegates. She expressed her delegation's appreciation for the contributions of other delegations. In closing, the delegate said she found the current themes and discussions of the Meeting to be forward-looking and assisting in moving the organization ahead to future successes.

The delegate of SOUTH AFRICA thanked the government and people of Paraguay for hosting the conference and for having been such excellent hosts. He said his delegation would take home warm memories of the country. He also thanked Weil Brothers, Baumann Hinde, Ecom/ Esteve Bros., CADELPA and Dunavant Enter-

prises for the very fine evening entertainment. He thanked delegates for their work and expressed the hope that the forward thinking that the USA noted in these meetings will continue in the future. He also thanked the Chair for his excellent conduct of the Meeting.

The delegate of BELGIUM, in the name of the European Union, expressed gratitude to the authorities of Paraguay for their welcome and good organization of the Meeting. He thanked the Secretariat for its efficient work and the interpreters for their excellent work. He expressed appreciation to delegations for their contributions which enriched the Meeting. He said the members of the European Union had the desire to participate effectively in the work of the Standing Committee toward the strengthening of this important organization. His remarks are a Statement of the Meeting.

The delegate of the UNITED KINGDOM took great pleasure in endorsing on behalf of the British Government the comments of other delegations regarding the warm welcome of the people and government of Paraguay. He thanked the ICAC Secretariat for its efforts.

The delegate of GERMANY once again thanked the government and people of Paraguay for their warm hospitality. He told the Minister of Agriculture that, if there had been any shortcomings in the Meeting, he had been unaware of them. He thanked the Executive Director and his staff and the interpreters for their work. He especially thanked Mr. Stiegwardt for his able work.

The delegation of BRAZIL thanked the Ministry of Agriculture, the Chairperson, the Executive Director, the staff of ICAC and member country representatives from both governments and the private sector for what had been a very successful meeting. He said a great deal of the success of the meeting was due to the arrangements of the host, Paraguay. He added that it was his delegation's desire that the ICAC will become a stronger organization and a more effective institution for the betterment of cotton. He said he looked forward to the next meeting in the beautiful area of Santa Cruz de la Sierra, where, he said, delegates can expect to have the same quality of meeting as experienced in Paraguay.

The delegate of SPAIN supported all which had been said by delegations and expressed thanks to Paraguay for the Meeting.

The delegate of PARAGUAY expressed appreciation to all delegations for their participation in the meeting. She said Paraguay was looking forward to increasing its production in the environment of Mercosur. She thanked all delegations for their contributions and for their expressions of sentiment to Paraguay. The delegate hoped that the ICAC would continue to work for increased cotton consumption.

With these comments, the CHAIR thanked all delegations for their active participation in the meeting, without which the successes of the Meeting would not have been possible.

The Meeting was adjourned at 11:15 am.

Steering Committee

First Meeting

Monday, October 27, 1997, 9:30 am

The SECRETARY GENERAL welcomed delegates to the 56th Plenary Meeting on behalf of the Secretariat. He noted that the Government of Paraguay had designated the Minister of Agriculture Ing. Cayo Franco to serve as Chair of the Meeting and the following to serve as Vice Chairs: Ing. Gerardo López, Vice Minister of Agriculture; Mr. Roberto Antebi, President of the Cámara Algodonera del Paraguay (CADELPA); and Mr. Félix Stiegwardt, Member, CADELPA. The SECRETARY GENERAL introduced Mr. López and Mr. Stiegwardt, who were present at the session. He invited Mr. Stiegwardt to take the chair.

Mr. Félix A. Stiegwardt in the Chair

The CHAIR noted that delegates had a copy of the proposed Agenda. That Agenda, he said, in-

corporated a slight change in the discussions on Tuesday from that originally approved by the Standing Committee in Washington to accommodate the needs of speakers. He asked delegates for their comments.

The delegate of the USA noted that only 30 minutes had been allowed for the Second Meeting of the Steering Committee. The CHAIR said the Agenda was evidently not sufficiently clear, as the visit to the Experiment Station in Caacupé was intended only for researchers who would not normally be participating in the Steering Committee. He said the meeting of the Steering Committee could continue throughout the entire morning.

The delegate of the PHILIPPINES proposed beginning the Second Meeting of the Steering Committee at 8 am to allow time for persons participating in the Meeting to go to Caacupé. The CHAIR said his proposal would be considered.

There being no other comments, the Agenda was approved as presented, subject to a possible change in time of starting for the Second Meeting of the Steering Committee.

The CHAIR noted that Burkina Faso had completed the necessary requirements for accession to membership and asked delegates to confirm this accession and Burkina Faso's initial assessment of \$7,950.

The delegate of ARGENTINA said he was very happy to welcome a new member to the ICAC. He said Argentina's position, as expressed in previous meetings, was that any budgetary problems should be solved by increasing the membership of the Committee rather than by reducing the services provided by the Secretariat. He commented that there were far more than 42 cotton producing and consuming countries in the world and that every attempt should be made to encourage those countries which were not members to join the Committee.

The CHAIR then formally welcomed Burkina Faso to membership. Delegates offered their applause.

The CHAIR adjourned the First Meeting of the Steering Committee at 9:45 am and noted that the Inaugural Session would begin at 10 am.

Second Meeting

Wednesday, October 29, 1997, 8:30 am
Mr. Félix A. Stiegwardt in the Chair

The CHAIR announced that the Delegation of Sudan, while fully prepared to hold the Plenary Meeting in 1999, for the convenience of other delegations, has asked to suspend its invitation.

The CHAIR asked the Secretary General to report on the work program of the Committee. The SECRETARY GENERAL presented Working Paper III.

The CHAIR recognized the delegate of ARGENTINA who urged delegates to communicate with their representatives to the Food and Agriculture Organization of the United Nations (FAO) to seek to reverse the decision by the FAO to discontinue the survey of textile fiber consumption. The delegate also stated that the work program of the Secretariat should not be reduced and no service should be eliminated. He emphasized the need to expand the membership of the ICAC to allow for an increase in the work of the Committee without raising the assessments of countries.

The CHAIR recognized the delegate of the USA. The delegate seconded the motion by Argentina to encourage FAO to continue the survey. She also supported an increase in ICAC membership which would promote broader dialogue and help with the financial status of ICAC. She commented on the budget reductions and said that they had no impact on ICAC's ability to carry out its activities effectively. She noted that there were very good reasons why the budget was decreased. She said last year's budget included approximately \$48,500 in case the USA did not pay the tax reimbursement, which the USA did pay, and other items, including what she termed an unauthorized salary increase for the Executive Director, which also was not included in this year's budget.

The CHAIR recognized the delegate of TURKEY. The delegate noted that the FAO textile survey is of vital importance to the cotton industry. He joined the delegate of Argentina in urging delegates to try to persuade the FAO to continue the survey. The delegate asked if the Secretariat had made contingency plans in the event that FAO could not be persuaded to continue gathering the information.

The SECRETARY GENERAL noted that the elimination of the survey was caused by budget pressure at FAO and that FAO would be willing

to continue the work if other organizations could be found to pay for the work. The FAO is also willing to cooperate with others in performing the survey. However, the Secretariat believes that the FAO is the appropriate organization to conduct the textile fiber consumption survey because of its superior data gathering capability from over 150 countries and its reputation for impartiality in the collection of fiber data. The SECRETARY GENERAL explained that the Secretariat is investigating cooperative efforts with other organizations to continue the survey but that discussions are fluid. He said the Secretariat has assured other interested parties that it would not be in a position to contribute financially but could contribute services to the effort.

The CHAIR recognized the delegate of ARGENTINA who emphasized the need to encourage the FAO to continue the survey. The delegate recommended that the ICAC also ask members of ITMF and members of synthetic fiber associations to encourage their delegates to the FAO to support continuation of the textile fiber survey.

The CHAIR recognized Mr. Victoriano Leviste, Chairman of the Standing Committee, to present the recommendation of the Standing Committee for the election of officers for the next year. Mr. Leviste presented Working Paper IV.

The CHAIR recognized the delegate of ARGENTINA. The delegate congratulated nominees and wished them success. He proposed to the Meeting that the nominations be approved.

The CHAIR recognized the delegate of the USA. The delegate noted that the United States wished to express appreciation to Mr. Leviste and commended him for his performance as Chair of the Standing Committee during the past year, and seconded the proposal by Argentina to accept the nominations.

The CHAIR recognized the delegate of EGYPT who also seconded the proposal by Argentina.

The CHAIR recognized the delegate of GERMANY who thanked Mr. Leviste for his contribution during the past year and supported the remarks of other countries welcoming new members to the Committee.

The CHAIR recognized the delegate of CHINA (TAIWAN) who expressed his appreciation to Mr. Leviste for his efforts and endorsed the nomination of officers.

The CHAIR and DELEGATES applauded the contributions of Mr. Leviste during the past year as Chairman of the Standing Committee.

The CHAIR observed that there was a consensus in support of the election of Mr. Aluisio Lima-Campos as Chair, Mr. Alaa Eldin Shalaby as First Vice Chair and Mr. Paul Morris as Second Vice Chair of the Standing Committee. The CHAIR and DELEGATES applauded the election of the new officers.

The CHAIR recognized Mr. Lima-Campos. Mr. Lima-Campos thanked the Standing Committee for their support and Mr. Leviste for his service during the past year. Mr. Lima-Campos offered some suggestions for improving the work of the Standing Committee. He said it was of the utmost importance for the delegates to the Standing Committee to come to Plenary Meetings. He felt the Standing Committee would be more productive if members had increased contact with industry representatives. Mr. Lima-Campos also suggested that representatives from the capitals of member countries attend at least one Standing Committee Meeting each year. He asked all countries to be active participants in the Standing Committee.

The CHAIR noted that the current Executive Director of the Secretariat would be completing his term of service at the end of 1998. The CHAIR recognized Mr. Leviste to present Working Paper V on procedures for the selection of a new Executive Director.

The CHAIR observed that no delegates objected to the recommendations of the Standing Committee contained in Working Paper V and declared the recommendations approved.

Some delegates expressed a concern that the new Executive Director would need a period of overlap with the outgoing Executive Director to provide a smooth transition in the management of the Secretariat, and that such a period of overlap would have budgetary implications. The delegate of the USA noted that there were budgetary implications to an overlap of two Executive Directors' terms and, therefore, the USA could not agree to the suggestion. She added that she had full confidence in the ability of the Secretariat staff to assist the new Executive Director in assuming his or her new duties. The CHAIR observed that this matter could be handled by the Standing Committee at a later time.

The CHAIR noted that the Committee had received an invitation to hold its Plenary Meeting in 2000 in Australia and asked for delegates' comments.

The delegate of BRAZIL and ARGENTINA endorsed the proposal to go to Australia in 2000.

The CHAIR observed that there was a consensus to accept the offer from Australia to hold the Plenary Meeting in 2000.

The CHAIR recognized the delegate of AUSTRALIA who thanked the delegates of Brazil and Argentina for their support and welcomed all delegates to Australia in 2000.

The CHAIR noted that the Committee had received offers from Zimbabwe to host the Plenary Meeting in 2001 and from Egypt to host the Meeting in 2002. The CHAIR asked for delegates' views.

The CHAIR recognized the delegate of SUDAN. The delegate endorsed the invitations from both

Egypt and Zimbabwe, noting that it would be a golden opportunity for delegates to get to know these countries.

The CHAIR recognized the delegate of ARGENTINA. The delegate observed that the ICAC is one of the few international organizations that holds its annual meetings in member countries, giving delegates an opportunity to learn about cotton industries around the world. The delegate thanked Zimbabwe and Egypt for their willingness to host the meetings in 2001 and 2002.

The CHAIR recognized the delegate of MALI who supported the invitations from Zimbabwe and Egypt.

The CHAIR recognized the delegate of EGYPT who thanked the delegates of Sudan, Argentina and Mali for their support.

The CHAIR observed that there was a consensus to accept the invitation from Zimbabwe for 2001 and Egypt for 2002 to host Plenary Meetings.

The CHAIR recognized the delegate of ZIMBABWE who thanked other delegates for their support and welcomed delegations to Zimbabwe in 2001.

The CHAIR noted that the 55th Plenary Meeting had directed that a small group be formed to explore further participation by the private sector in ICAC. An informal meeting was held on Tuesday, he said, and he asked Dr. Brock of South Africa to report on the meeting. Dr. Brock reported that many delegates and private sector representatives had met to discuss the issue of private sector participation in the ICAC. During the meeting, participants recognized the growing importance of the private sector in international commodity affairs. Participants also recognized the continuing need for the ICAC to observe the world cotton situation, to offer advice to governments regarding cotton policies and to serve as a forum for international discussion of cotton matters. Participants in the meeting from the private sector expressed a potential willingness to increase their participation in the ICAC. Many of the representatives of governments at the meeting expressed a concern that the nature of the ICAC as an inter-governmental organization should be maintained. Participants discussed possible organizational frameworks for increased private sector participation.

Dr. Brock reported that a small group of private sector and government representatives had agreed to continue to meet to try and design a structure to accommodate increased private sector participation in the ICAC without changing the nature of the organization substantially. The small group would prepare a report in time for discussion at the Plenary Meeting in 1998. A note on the discussions held in the first meeting of government and private sector representation, as well as a background document presented by

the Secretary General at the meeting, are a Statement of the Meeting.

The CHAIR recognized the delegate of the USA. The delegate expressed concern about the formation of a working group on the private sector and noted that it required a cross section of opinion in order to come up with a workable proposal. She questioned who would participate, how the group would operate and the practicality of continuing discussion. She said the group should relate its work and discussions to the Standing Committee.

The CHAIR recognized Dr. Brock who responded to the delegate of the USA by saying that four government delegates and three private sector representatives had agreed to discuss how best to structure a small group on private sector participation that would be representative and practical. Dr. Brock pledged that the small group would keep delegates informed.

The CHAIR recognized the delegate of ARGENTINA who said it is necessary to study in depth the proposal for a small group on private sector participation as it is important that the nature of ICAC not change. The delegate stated that Argentina recognizes the importance of the private sector in cotton affairs but that this concept had previously been discussed in the Standing Committee. Those discussions should be reviewed.

The CHAIR recognized the SECRETARY GENERAL who noted that the 55th Plenary Meeting had accepted the Standing Committee's recommendation that there be no change at this time in the level of participation by the private sector in the ICAC. However, he said, the Plenary also determined that the issue of private sector participation in the ICAC deserved further discussion and mandated that a small group be formed with government and private sector representations.

The CHAIR recognized the delegate of EGYPT who agreed that the private sector is an important component of the cotton industry but shared the concerns of the delegate of the USA that the small group should be representative of all member countries.

The CHAIR recognized the delegate of CHINA (TAIWAN) who expressed interest in the topic and a desire to participate in the discussions. The delegate agreed with the delegate of Argentina that the ICAC should maintain its nature as an inter-governmental organization.

The CHAIR, speaking as the delegate of PARAGUAY, noted that in Paraguay the private and public sectors had a long history of cooperation. He said positive contributions could be made by the private sector working cooperatively with governments in the ICAC.

The CHAIR recognized the delegate of AUSTRALIA. The delegate reported on the close

relationship between the public and private sectors in Australia. He felt that only a small group meeting informally could deal with the complex issues involved in expanding private sector participation in the ICAC. He suggested that the Standing Committee might provide the small group with the terms of reference for their discussions.

The CHAIR recognized the delegate of TURKEY. The delegate supported the formation of a small group to consider additional private sector participation in the ICAC. He said there should be a number of proposals regarding the degree of participation and its nature. He said the ICAC could benefit from the private sector's advice.

The CHAIR recognized the delegate of ARGENTINA. The delegate noted that for several years the delegations of most countries to the Plenary Meetings had included private sector representatives. In Argentina, he said, the private sector representatives cooperated in the writing of the country statement for each meeting.

The CHAIR recognized the delegate of INDIA. The delegate welcomed the proposal to form a small group to discuss private sector participation. The delegate emphasized the need that the inter-governmental nature of the ICAC be maintained.

The CHAIR recognized the delegate of TANZANIA. The delegate recognized that the private sector is important to the cotton industry, but he remained skeptical of increased participation in the ICAC. He noted that every delegation already includes private sector members. He noted that the private sector is composed of business people seeking profits, while government interests are broader. He observed that the private sector already exerts powerful influence over governments through lobbyists and expressed the concern that the ICAC might be taken over by the private sector.

The CHAIR recognized the delegate of the UNITED KINGDOM. The delegate observed that the ICAC is 58 years old; he saw no problem with investigating whether new proposals might be considered. He observed that the Standing Committee will have the opportunity to review and comment on proposals and that the Plenary Meeting would have final authority over all suggestions. He recommended that the small group be allowed to get on with its work and that proposals be considered next year at the Plenary Meeting.

The delegate of the USA encouraged all delegations to submit their concerns, ideas and recommendations to the working group members.

The CHAIR determined that there was a consensus that a small group should proceed with its efforts to recommend how increased participation by the private sector in the ICAC might be accomplished.

The CHAIR asked delegates for their views on other issues.

The CHAIR recognized the delegate of INDIA. The delegate suggested that the Standing Committee meet less frequently, perhaps quarterly, and that subject specialists from capitals be encouraged to attend the meetings to add substance to discussions in Washington.

The CHAIR recognized the delegate of AUSTRALIA. The delegate endorsed the remarks of the delegate of India and the earlier comments of Mr. Lima-Campos regarding increased participation in Standing Committee Meetings.

The CHAIR recognized the delegate of SOUTH AFRICA. The delegate thanked the Standing Committee for the work it had done during the past year. However, the delegate felt the Standing Committee had spent too much time on micro-management of the Secretariat. He suggested that the Standing Committee adopt three-year budget plans. Each year the budget could be ratified or changed as conditions warranted, but having a three year plan might reduce the amount of time spent on budget matters.

The CHAIR recognized the delegate of ARGENTINA. The delegate was concerned that quarterly meetings might not be sufficient and recommended that the Standing Committee should not be limited to meeting once a quarter. He recommended that Coordinating Agencies review the agenda for each meeting and send subject specialists to the Standing Committee meetings as appropriate.

The CHAIR recognized the delegate of the USA. The delegate said that it may be possible to have fewer meetings of the Standing Committee. She said that 6-8 or bimonthly meetings may be sufficient; however, quarterly meetings may be too infrequent. She noted that the Standing Committee meetings provide a focal point for discussion of information presented by the Secretariat, which is useful. With regard to administrative issues, she noted that the Standing Committee has oversight responsibilities, some of which may be handled better outside Standing Committee meetings, by establishing a subcommittee on finance which could make reports to the Standing Committee and which would address the concerns expressed that too much time is spent on administrative matters during Standing Committee meetings. She noted that there continue to be problems of transparency in ICAC's budget, which might be resolved by presenting the information in a different form which a finance subcommittee could work on. She also agreed that it would be a good idea to establish a 3-year work plan, but did not agree with the idea of a 3-year budget. She explained that funding of USA participation is dependent on annual appropriations from the U.S. Congress, and therefore commitments by the USA could not be made beyond a single fiscal year. She said,

nevertheless, there is no reason not to establish forward priorities through a 3-year plan.

The CHAIR recognized the delegate of the PHILIPPINES. The delegate expressed appreciation to the Secretariat for the update on the world cotton situation presented at Standing Committee meetings and would not want those reports presented less frequently. The delegate agreed with the USA that it might be helpful to hold separate meetings for administrative and substantive issues. He said he had full confidence in Mr. Lima-Campos to handle all the comments being made.

The CHAIR recognized the delegate of GERMANY who expressed support for the US proposal.

The CHAIR recognized the delegate of BOLIVIA. The delegate observed that Plenary Meetings might be shortened to three days.

The CHAIR recognized the delegate of CHINA (TAIWAN). The delegate said that reports on the world cotton situation were useful. He supported the proposal to re-establish a sub-committee on finance.

The CHAIR recognized the delegate of SPAIN. The delegate supported the proposal to reduce the number of Standing Committee meetings to between six and eight per year, the idea of the USA for a sub-committee on finance and the South African proposal to budget on a three year basis.

The CHAIR recognized the delegate of ARGENTINA. The delegate said it would not be appropriate to reduce the number of Standing Committee meetings. Administrative matters should be dealt with in designated meetings open to all members, rather than in a sub-committee.

The CHAIR recognized the delegate of BRAZIL. The delegate observed that during the past year the Standing Committee had separated administrative matters from substantive matters in meetings and that this procedure had contributed to the work of the Committee.

The CHAIR recognized the delegate of the USA. She clarified her suggestion on establishing a Finance subcommittee by noting that it would not be made up of select delegates. She said any country with an interest in these matters would be able to participate. She noted that an improvement in the format of the budget would reduce the need for extended discussion of budgetary details in the Standing Committee. She explained that delegates would not be precluded from making comments on the work of the subcommittee during Standing Committee meetings.

The CHAIR observed that all delegates had had an opportunity to express their views. He adjourned the meeting at 11:00 am., noting that the third meeting of the Steering Committee would take place at 8:00 am on Friday.

Third Meeting

Friday, October 31, 1997, 8 am
Mr. Félix A. Stiegwardt in the Chair

The CHAIR introduced Graciela Gómez, the Chair of the Committee on Cotton Production Research to present her report on the meeting and technical seminar of the Committee on Cotton Production Research held on Thursday, October 30. Ms. Gómez' report is attached.

The CHAIR thanked her for her report and asked if there were any comments on the report. There being none, the CHAIR declared the report approved.

The CHAIR next noted that the Drafting Group had met on Thursday evening, from 4:30 to 8:00 pm, to prepare a statement of the meeting. He asked Ms. Lana Bennett of the United States, who had served as Chair of the Drafting Group, in order to conserve time to forego the reading of the text of the statement drafted by delegates. He asked delegates for their comments. The delegate of ARGENTINA referred to two comments he had made with regard to Annex II of the Statement. While one comment regarding a recommendation to expand irrigated area had been incorporated, he said the other comment regarding the impact of policies which could cause volatility had not, and he asked that his second comment be incorporated with the addition of a point 3 d to the Annex which reads "Avoid the implementation of policies that distort markets." There being no objection, the CHAIR found agreement for the addition.

The delegate of EGYPT noted that reference to discussions on private sector cooperation was not included in the Statement as distributed and inquired whether this reference should be made.

The delegate of the UNITED KINGDOM proposed adding a colon after the word "to" at the end of the second paragraph of point 5. With regard to the comment of the delegate of Egypt, he proposed that the Statement record that the Chair of the 55th Plenary Meeting had found a consensus for the formation of a small group with the implicit task of exploring forms of private sector participation in ICAC. He proposed that the Group be invited to present a report to the 57th Plenary Meeting, and said it was important that the Group should have the full support of the Committee before it begins its work. His remarks are a Statement of the Meeting.

AUSTRALIA and EGYPT supported the proposal of the United Kingdom. The delegate of EGYPT said he would like to get the consensus of the Steering Group regarding the composition of the Group.

The delegate of ARGENTINA inquired if the Group was a closed group. The CHAIR expressed his understanding that all groups within the ICAC were open to the participation of all delegations. The delegate of TANZANIA said

the private sector group is made up of many different stakeholders and he wished that all elements be represented in the Group. The delegate of TURKEY proposed, in order to gain ground, that the present volunteers participating in the Group be announced. CHINA (TAIWAN) supported the Egyptian proposal regarding the composition of the Group.

The delegate of SOUTH AFRICA reported that, following a meeting on Tuesday, October 28, a small group was formed with four representatives from government (the heads of the delegations of South Africa, USA, Brazil and Australia) and three representatives of the private sector (Mr. Macdonald of Brazil, Mr. Craven of the United Kingdom and Mr. Gillen of the USA, all private sector members of their respective delegations). Following discussions, he said, the Group suggested that Mr. Stiegwardt of Paraguay join the Group as an additional private sector representative and that Ms. Sabune of Uganda join as an additional government representative. He said the first task of the group was to seek the input of all governments and the private sector. A note on the discussions held by the Group, following the Second Meeting of the Steering Committee, is included as a Statement of the Meeting.

The delegate of EGYPT asked that an item 15 be added to the Statement which would state that "A small group composed of representatives of Australia, Brazil, South Africa, Uganda and the USA and a broad representation of the private sector will present a paper to the 57th Plenary Meeting addressing the issue of increased private sector participation in the ICAC."

The delegate of ARGENTINA expressed the view that the matter should be included in the minutes of the meeting of the Steering Committee rather than in the Statement. This position was supported by the PHILIPPINES and TURKEY. Both delegations noted that the minutes of all meetings of the Group had been distributed. The delegate of TURKEY made a correction to the Aide Memoire of the first meeting, regarding the pitfalls of certain forms of private sector-government cooperation.

The delegate of EGYPT said he was indifferent whether the matter is mentioned in the Steering Committee minutes or in the Statement. However, he said it was important to make mention of the subject, as otherwise it would appear that the 56th Plenary Meeting was not addressing the issue, which was a mandate of the 55th Plenary Meeting. This position was supported by GERMANY.

The delegate of the USA said that, whatever the mechanism, it was of utmost importance that each member country submit its concerns, recommendations and ideas, because only through the combined input of the member countries can a recommendation be developed which will be generally acceptable to the organization.

The delegate of MALI supported keeping the group open. The CHAIR noted from the suggestions of delegates that the Secretariat should keep all delegations informed of the work of the Group.

The delegate of SPAIN saw no difficulty in including the reference to the Group in the Statement or in inviting the Group to present a statement of its findings to the next Plenary Meeting.

The delegate of ARGENTINA said he believed he was correct that no mention of the formation of the Group was made in the statement of the 55th Plenary Meeting. He said, therefore, that reference should be made to the Group's work in the minutes of the Steering Committee, including an explanation of the participation in the Group and the ability of other members to participate in the Group's work. This position was supported by AUSTRALIA, the UNITED KINGDOM and the USA.

The CHAIR found a consensus for including reference to the Group on private sector-government cooperation in ICAC in the minutes of the Steering Committee rather than in the Statement. He further found agreement for approval of the Statement, as amended in the meeting.

The CHAIR noted that, in accordance with the Rules and Regulations of the ICAC, he wished to note that the 57th Meeting of the Committee would be held October 12-16, 1998, in Santa Cruz de la Sierra, Bolivia. The delegate of BOLIVIA said that it was with great pleasure that he confirmed and ratified the invitation to hold the 57th Meeting in Bolivia. He said the Bolivian delegation looked forward to welcoming all participants in Bolivia next year.

In another matter, the delegate of ARGENTINA proposed that the Secretariat and the Standing Committee investigate the incorporation of new members of the Committee in a non-voting status. Such members, he said, could adhere to the Committee for payment of a minimal fee, without the right to vote, noting that they could become voting members after paying the full fee. The USA was of the opinion that this matter was being discussed by the Group investigating private sector-government cooperation. The CHAIR pointed out that the proposal of Argentina referred to government members. AUSTRALIA said the proposal could be considered by the Standing Committee, which could report back to the Advisory Committee on different types of membership.

The delegate of AUSTRALIA made two comments with the aim of enhancing the effectiveness of the organization. As a preface he said Australia would take a far more proactive role in the Standing Committee's work. The first comment concerned the role of the chairperson of the Standing Committee. He proposed that the chairperson serve as First Vice Chair of meet-

ings of the Advisory Committee and noted that it was necessary to amend the Rules and Regulations to effect this change. The second comment was about the directions and operations of ICAC. He said he had reservations in respect of the lack of a clear statement of the objectives of ICAC; the role of the Standing Committee compared to the Advisory Committee; the role of the Standing Committee in the preparation of the work program; the development and approval of the budget, including budget format; and the development of working papers and agenda for Advisory Committee meetings. He proposed that the Advisory Committee ask the Standing Committee to investigate these matters in the form of draft proposals, which would include advice on any implications for the Rules and Regulations, to member countries by June 30, 1998, in order for the Standing Committee to present a final proposal to the 57th Plenary Meeting. His remarks are a Statement of the Meeting.

The CHAIR noted that all matters involving the Rules and Regulations were usually first considered by the Standing Committee. He invited the comments of other delegates.

The position of Australia was supported by the PHILIPPINES, the USA (which proposed specific language to amend the Rules to include the chairperson of the Standing Committee as First Vice Chair of the Advisory Committee) and EGYPT. The delegate of the USA said that with regard to the second aspect of the Australian proposal, the work of the ICAC should be regarded as a continuum which operates through the Standing Committee throughout the year between Advisory Committee meetings.

The PHILIPPINES shared Egypt's support for the US proposal to make appropriate changes in the Rules and Regulations and reiterated its support for the Australian proposal. As outgoing Chair, the delegate of the PHILIPPINES said he saw the proposal of Australia and the US as necessary to effect the needed checks and balances for the efficient operation of the Committee.

The delegate of TURKEY noted that rules and regulations of international organizations were ones which do not require frequent changes. Furthermore, he said changes should be brought up in the Agenda well before the Meeting. He said the organization should not make a precedent of last minute changes in the Rules and Regulations. He proposed that the comments of Australia be taken up in the Standing Committee well before the next Plenary Meeting.

The delegate of SUDAN said his country was of the opinion that the ICAC was an effective organization. He said it was appropriate that there be proposals for change, but that it was inappropriate that these matters be discussed in the final minutes of the Meeting. He said if these matters are to be discussed they should be in the Agenda in advance.

The delegate of ARGENTINA said matters involving changes in the Rules and Regulations should be considered first by the Standing Committee and then by a Plenary Meeting. He said the organization had had experience with hasty changes that later had to be undone.

The delegate of AUSTRALIA said the second aspect regarding the directions and operations of ICAC did not involve a change of rules and regulations; the proposition being put by Australia was for Standing Committee to investigate the issues and to report back, in the form of advice, to Advisory Committee. In an event, ICAC should be flexible and not be bound by rules and regulations in ensuring that it is an effective organization.

The SECRETARY GENERAL observed that the objectives of the ICAC were clearly incorporated in Article I of the Rules and Regulations. He noted that any restatement of these objectives would involve an amendment to the Rules.

The delegate of the USA reiterated her delegation's support for the second aspect of Australia's proposal regarding the direction and operations of the ICAC. She noted that there is little time allotted in Plenary Meetings to address the work program and other important matters seriously. She said that she did not recall that a work program had been decided in this Plenary Meeting. She said that it was important that the Standing Committee become fully engaged in developing recommendations for the direction and operations of the ICAC and fully participate in the development and review of the working papers developed for Advisory Committee meetings, assisting decision making in Advisory Committee meetings.

The delegate of CHINA (TAIWAN) agreed that it was an important matter to amend the Rules and Regulations. He supported the proposal of the USA for language to amend the Rules and Regulations to include the chairperson on the Standing Committee as the First Vice Chair of the Advisory Committee.

The delegate of the UNITED KINGDOM proposed as a compromise that the first item of business at the 57th Plenary Meeting be the consideration of a proposal from the Standing Committee regarding the status of the chairperson of the Standing Committee at the Plenary Meeting. This proposal was supported by CHINA (TAIWAN), AUSTRALIA, TURKEY, the USA and ARGENTINA; the support of AUSTRALIA was subject to the clarification that any required changes to the rules and regulations would be prepared prior to the 57th Plenary Meeting so that they could be considered at the same time. The CHAIR found a consensus for adopting the proposal of the United Kingdom.

The delegate of BOLIVIA said his country welcomed the chairperson of the Standing Committee as First Vice Chair.

The delegate from AUSTRALIA sought clarification concerning the status of the second proposition put forward to the Steering Committee concerning the directions and operations of ICAC.

The CHAIR asked for comments of delegates on the remarks of Australia.

The delegate of TURKEY noted that the second proposition of Australia did not involve, at this stage, any alteration in the Rules and Regulations. Therefore, he said, the Turkish delegation saw no harm in having the Standing Committee consider this proposal.

Seeing no objections, the CHAIR concluded that the matter could be taken up by the Standing Committee.

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

ATTACHMENTS

Report of the Chairman of the Committee on Cotton Production Research

Graciela Gómez Bogado

Mr. Chairman, ladies and gentlemen, the Committee on Cotton Production Research of the ICAC, in the meeting held yesterday, reviewed the progress of Common Fund funded ICAC projects, considered topics for the 1998 Technical Seminar and heard a report on the World Cotton Research Conference-2.

Eleven papers from the four ongoing projects were presented. The Technical Seminar started with a statement from the Common Fund for Commodities (CFC) made by Mr. Sieste van der Werff on behalf of his Managing Director. The CFC has three main functions: Financing of international and internationally coordinated buffer stocks; financing commodity projects and promoting coordination and consultation in the field of commodities. The Fund collaborates with 23 International Commodity Bodies and has made financial commitments of US\$130 million, of which approximately half has been financed by the CFC. Mr. van der Werff referred to CFC/ICAC close working relations and said that about 15% of the total CFC commitments have gone to cotton and cotton is the most important commodity in the Fund's project portfolio.

The project Environmentally-safe Integrated Pest Management for High Quality Non-sticky Cotton involves Egypt, Ethiopia, Israel and Zimbabwe. Mr. Jonathan Spenser of the Israel Cotton Production and Marketing Board said the objectives of the project are development of en-

vironmentally compatible pesticides, development of spray machinery and promotion of biological control against whitefly and aphids. Based on stability, behavior and toxicity effects, efficacy and phytotoxicity effects on the plant, formulation No. 4 (name not disclosed) has been found most effective. The ultimate objective of developing new spray machinery is to throw insecticides on the lower surface of leaves. In the last three years, an "over the crop drop-tube sprayer" has been developed by the project. Last year a one-row prototype was tried, and, in the current season, a six-row prototype was designed and tested in a 120-cm tall crop. Fluorescence is used to detect spray deposition and droplet size on leaves. On the same principle, progress has been made for developing a manually operated sprayer for small farmers. Mr. Spenser said guidelines for farmers will be prepared by the project based on the use of safe insecticides, the new type of spray machinery and enhanced populations of useful insects.

On a question raised by the delegate of UK, Mr. Spenser replied that whitefly is killed by suffocation and physical resistance.

Dr. Galal Moawad of the Plant Protection Research Institute in Cairo presented the work done in Egypt. Cottonseed oil, soybean oil and sunflower oils reduced the whitefly population by 18% to 53% when checked after 3 days of applications. The effect increased when checked after 7 days and 14 days of treatment. Safflower and castor oil were also tested but no oil had an effect on larvae and pupae population after 3 days of application. However, after 7 days of treatment, a good mortality was seen in all treatments except safflower and castor oils. After 14 days of application, there was almost no effect of any treatment. Dr. Moawad reported that cottonseed oil, stabilized cottonseed oil, soybean oil and sunflower oils did show some phytotoxic effect on the plant.

In the project, oil formulations and newly designed spray machinery have to be tested in Ethiopia and Zimbabwe. Mr. Douglas Pascoe of Zimbabwe briefly reported on the activities undertaken by the Commercial Cotton Growers Association in Zimbabwe. Five oil formulations were tested at three locations in three regions during 1996 and all of them were found to be effective against whitefly. Three manual sprayers were tried and a knapsack sprayer with a tail boom provided better coverage on both sides of leaves at different plant heights. Mr. Pascoe also described the program for 1997/98.

The delegate of Egypt commented that many other important components of IPM have not been included in the project to control whitefly. He was informed by the Secretariat that all ICAC/CFC projects have specific objectives aimed at achieving specific goals. Any issue which is not related to the defined objectives will be irrelevant for the projects.

On a question raised by the delegate of Uganda, the Secretariat informed participants that, at the end of the projects, results will be made available to member countries and workshops and meetings will be conducted to disseminate research findings to countries outside project activities. Mr. Ralph Schulzé suggested using the WCRC-2 occasion for reporting results of the projects.

The project on integrated pest management of the cotton boll weevil in Argentina, Brazil and Paraguay involves 13 different institutions in three countries. The project is managed by a coordination unit headed by Dr. Teodoro Stadler. The total cost of the project is US\$8.2 million, out of which the Common Fund is contributing about US\$2 million. According to Dr. Stadler, the coordination unit has remained successful in planning joint research projects and providing multi-institutional cooperation for achieving project goals.

The project has various Working Groups to coordinate work on specific aspects. Mr. Carlos Lehmacher of Argentina concentrated in his paper on utilization of the Geographic Information System and use of insecticides for controlling boll weevil. He also mentioned the line of action of other working groups and methodology for transfer of information to extension workers and farmers for simultaneous adoption. Mr. Lehmacher concluded that while early detection of boll weevil in Argentina has helped contain the pest, due to the frequent influx of cotton from Paraguay, Argentina couldn't have a perfect control system without cooperation of Paraguayan authorities.

Dr. Walter Jorge dos Santos presented project activities in Brazil. According to Dr. dos Santos, a high reproduction rate, great mobility and sufficient availability of alternate hosts in the off cotton season make it difficult to control this pest. He described the role of various components of IPM suitable for Brazilian conditions which included destruction of plant stubble 40 days before planting, cultivation, early maturing varieties, uniform planting, planting trap crops close to hibernation sites, collection and destruction of flower buds from the ground, use of growth regulators and defoliant and chemical control only after pest scouting. Dr. dos Santos also reported on work to understand the behavior of boll weevil and utilization of biological control agents and pheromones.

In Paraguay, the boll weevil was detected for the first time in April 1991 in the pheromone traps alongside the border of Brazil. Now, a large number of the cotton producing regions are affected by boll weevil; however, southern and western regions are still safe. With the help of charts, Mr. Victor Gómez of Paraguay described the boll weevil affected areas and population dynamics of the boll weevil in various cotton producing regions in Paraguay. The delegate of

Colombia inquired about the fungus found to kill boll weevils in Paraguay. Mr. Gómez said that it has been established that a fungus is responsible for killing the boll weevil but said they are trying to identify the fungus and find ways and means to reproduce and use it on large scale.

Mr. Ivan Gallo of Paraguay also tracked the history of boll weevil in Paraguay. He said that since the boll weevil entered Paraguay it had spread at an average speed of 66 km/year. Insect control costs have increased significantly, thus affecting economics of the cotton growers in the boll weevil affected areas. Mr. Gallo described the work done during 1995 and 1996. He said that only 2.22% of the egg deposits hatched in the form of boll weevils; a 97.8% mortality rate is due to (1) 27.2% eggs did not produce larvae and (2) 70.6% larvae or pupae were destroyed by parasites. The conclusions indicated that Paraguay has good boll biological control which must not be disturbed.

The leaf curl virus project involves three countries, Pakistan, UK and the USA. Two reports were presented, one each by Dr. Yusuf Zafar of the National Institute for Biotechnology and Genetic Engineering (NIBGE) in Pakistan and Dr. Judith Brown of the University of Arizona, Tucson.

The leaf curl virus disease resulted in losses equivalent to 7 million bales in Pakistan. NIBGE has studied biological and molecular characteristics of the cotton leaf curl virus (CLCuV). It has been found that CLCuV can be transmitted from plant to plant but not by mechanical means. A vector is required and only whitefly is capable of transmitting the causal organism. According to Dr. Zafar, a procedure to isolate CLCuV from cotton leaves has been optimized at NIBGE, which is a major achievement. The disease symptoms may show either upward or downward curling of leaves, reasons for which have been investigated but are not known as yet. However, there is a strong evidence that two species of geminivirus infect cotton in Pakistan. The strains, called Pak 1 and Pak 2, differ in their genome size and amino acid sequence of complementary sense genes. Three approaches are being tried to develop transgenic resistance to geminiviruses.

The University of Arizona is focused on understanding the genetic diversity of CLCuV causing geminiviruses and their relationship with the vector whitefly. According to Dr. Judith Brown, geminiviruses have been poorly studied and a feasible defense against such viruses cannot be developed without properly understanding them. The University of Arizona has collected geminivirus isolates from many countries in order to prepare a global map of the geminivirus genotype distribution in cotton. The University has developed PCR based primers for amplification of geminivirus coat protein gene, which can be cloned, and DNA sequence determined.

She is also working on inoculation of cotton seedlings with infectious virus clones from the virus-affected plants using the biolistic method.

The fourth project is "Improvement of the Marketability of Cotton Produced in Zones Affected by Stickiness." In three years, the project will develop a method to isolate sticky cotton from non-sticky cotton and establish what levels of stickiness can be mixed with non-sticky cotton without any effects on the spinning process. The project started its activities in January 1997. Dr. Ahmed Salih Fadlalla of Sudan explained objectives of the project and reported that 8,000 samples of roller ginned and 8,000 samples of saw ginned cotton were collected for analysis by the High Speed Stickiness Thermodetector (H2SD). Six thermodetectors have just arrived for small samples testing. 60 bales were analyzed on Minicard, samples were sent to CIRAD-CA, France, for confirmation of results on H2SD and the bales are in the process of shipment to the Textile Institute of France for spinning tests.

Following the Technical Seminar, the Committee on Cotton Production Research considered topics for the 1998 Technical Seminar. Working Paper VI was introduced by the Secretariat which offered the following possibilities: Wild species of cotton; genetic engineering; fiber maturity; and principles of plant protection. The US delegate referred to reluctance on the consumer side to accept genetically engineered products and supported discussing various aspects of genetic engineering in the 1998 Technical Seminar. The delegate of Uganda supported a topic related to utilization of wild species. The delegate of Australia referred to the World Cotton Research Conference-2 (WCRC-2) and suggested discussing a subject which will not be covered in detail at the WCRC-2. He proposed cotton contamination to be a topic for the next Technical Seminar. A proposal made by the delegate of UK, for the technical seminar to be a summary of the conclusions of the WCRC-2 papers on the topics proposed by the Secretariat (including cotton contamination) was accepted as the topic for the 1998 Technical Seminar. It was also decided to recommend that non-tariff trade barriers for genetically modified organisms be discussed in plenary session.

The conclusion of the Technical Seminar was followed by a report from the Secretariat on the World Cotton Research Conference-2. The Conference will be held in Greece in September 1998 and 363 researchers from 46 countries have already registered for detailed information on the Conference. The International Committee of the WCRC-2 met on October 26 and decided names of Plenary Speakers, considered finances and discussed the outline of the Conference program. In addition to the FAO, CIRAD-CA of France, Natural Resources Institute of UK and National Agricultural Research Foundation of Greece and the Ministry of Agriculture of Greece have also

joined in sponsoring the WCRC-2. It is expected that about 500 researchers will attend the Conference.

Mr. Aldo Ricciardi of Argentina, who is coordinating the Sixth Meeting of the Latin American Association for Cotton Research and Development (ALIDA), briefed the Committee about preparations for the Meeting. The Sixth ALIDA meeting will be held in Sáenz Peña, Chaco, from December 1-5, 1997. Mr. Ricciardi mentioned that the 2nd International Symposium on the boll

weevil project will also be held in conjunction with the ALIDA Meeting. He invited all ICAC member countries, and particularly researchers from the Latin American region, to attend the ALIDA Meeting.

At the end of the Meeting, the delegate of Australia offered the help of the Cotton Research and Development Corporation of Australia to researchers interested in proposals on neps and short fiber content for international collaboration.

Mr. Chairman, it was a great privilege for me to chair the meeting of the Committee on Cotton Production Research. From the reports presented yesterday, I can assure you that under the ICAC/CFC collaboration very interesting research is going on and we must appreciate the efforts of the Executive Director and his staff for developing such a cooperation with the CFC.

The full text of papers delivered at the Technical Seminar of the Committee on Cotton Production Research is published separately.

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III Work Program	Programme de travail	Programa de trabajo y presupuesto
IV Election of Officers of the Standing Committee	Election du bureau de la Commission permanente	Elección de los funcionarios del Comité Permanente
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¹ Available in Arabic, English, French, Russian and Spanish.
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