



60th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES First Meeting of the Steering Committee

Monday September 17, 2001 8:30 am
Secretary General in the Chair

The SECRETARY GENERAL thanked delegates for their support of the ICAC and the government of Zimbabwe for hosting the meeting. He reported that the government of Zimbabwe had nominated Mr. Sylvester R. Nguni, Managing Director of the Cotton Company of Zimbabwe and Chair of the Zimbabwe Organizing Committee to serve as Chair of the 60th Plenary Meeting.

The SECRETARY GENERAL introduced Mr. Paddy Zhanda, farmer and businessman; W.G. Mashingaidze, Zimbabwe Farmers Union; Neville Brown, Commercial Cotton Growers' Association; Guy Menage, Commercial Cotton Growers' Association; Nancy Zitsanza, Ministry of Lands, Agriculture and Rural Resettlement; Rob Jarvis, Quton Seed Company; Michael Davies, Cargill Zimbabwe; Danny Chipps, Merspin Limited; and Barry Fisher, National Cotton Council of Zimbabwe, who will serve as Vice Chairs of the meeting.

The only item of business was to approve the agenda of the meeting. The SECRETARY GENERAL noted that delegates had a copy of the proposed agenda. He announced that the Report of the Chair of the Standing Committee and the inaugural comments by Dr. Joseph M. Made, Minister of Lands, Agriculture and Rural Resettlement, would be rescheduled during the week. Members of the Standing Committee were experiencing difficulties in traveling to Victoria Falls, and Dr. Made was unavailable this day. He asked if there were comments or additional changes. Seeing none, the CHAIR concluded that the agenda was approved with the proposed amendments. He adjourned the meeting at 8:45 am.

Second Meeting of the Steering Committee

4:30 PM, Monday September 17, 2001
Mr. Sylvester Nguni in the Chair

The CHAIR invited the Secretary General to read Working Paper I, "Election of Officers to the Standing Committee," which is attached. The SECRETARY GENERAL reported that the Standing Committee nominated Mr. Alfonso Liévano of Colombia for the post of Chair of the Standing Committee, Mr. Ajai Malhotra of India for the post of First Vice Chair, and Ms. Chigozie Obi-Nnadozie of Nigeria for the post of Second Vice Chair.

The CHAIR observed that there was a consensus to accept the recommendations in Working Paper I, and he extended his congratulations to the new officers.

The CHAIR invited the Secretary General to present Working Paper II, "The Recognition and Enforcement of Foreign Arbitral Awards," which is attached. The Secretary General summarized the working paper by saying that good trade practices include the settlement of disputes that inevitably arise in commercial transactions through a legal process of arbitration, and that some parties to contracts fail to abide by arbitral decision. The result is defaults on contracts for international trade in cotton. Defaults undermine confidence in the cotton trading system and impose costs that eventually must be absorbed by all participants in the cotton industry. Therefore, in order to bolster confidence in the cotton trading system, to improve the efficiency of the world cotton market and to encourage good trading practices, the ICAC urges member governments to:

Encourage good trade practices and uphold the sanctity of contracts, and to

Encourage their industries to abide by both the spirit and the letter of arbitration arrangements and to accept valid arbitration judgments, and to

Urge governments to make valid arbitral awards enforceable under member countries' laws.

The CHAIR asked if there was opposition to the recommended resolution prepared by the Standing Committee.

The CHAIR observed that there was a consensus to approve the resolutions contained in Working Paper II.

The CHAIR asked the Secretary General to introduce members of the Private Sector Advisory Panel in order to begin a round table discussion between the PSAP and the Advisory Committee.

The SECRETARY GENERAL observed that the PSAP was formed in 1999 after three years of discussions within the ICAC. The PSAP is representative of the three major segments of the cotton industry, producers, merchants and spinners, and of both developed and developing countries. Panel members serve at their own expense. Among the members of the Panel are some of the most respected people in the private sectors of the cotton industries of member countries. He introduced Ms. Bridgett Jackson, Mr. Andrew Macdonald, Mr. John Accas, Mr. Suresh Kotak, Mr. Romano Bonadei, Mr. Felix Stiegwardt, Mr. John Arlett, Dr. Sebahattin Gazanfer, and Mr. Ray Butler as members of the PSAP. He noted that Panel members had elected Mr. Felix Stiegwardt as Chair of the Panel, and he invited Mr. Stiegwardt to lead the discussion.

The Chair of the PSAP thanked the Steering Committee for the opportunity to engage in discussion. He reminded the committee that the PSAP has presented reports to the Steering Committee at the last two plenary meetings and looked forward to the opportunity for useful dialog at this meeting. The discussion was to focus on four topics: sanctity of contracts, genetically engineered cotton, World Bank development efforts and government measures, he said.

The Chair of the PSAP introduced Mr. Andrew Macdonald who noted that Working Paper II, "The Recognition and Enforcement of Foreign Arbitral Awards," had just been approved. Mr. Macdonald commented that declining prices implies that sanctity of contracts will come under attack and that it was necessary to reinforce the importance of redoubling efforts to support sanctity of contracts. He urged governments and the private sector to work together to educate all concerned about the importance of the sanctity of contracts.

The delegate of UGANDA noted that developing countries appreciate resolutions, but that in liberalized markets with willing buyers and sellers governments find it difficult to enforce contracts that they are not party to. The delegate asked that merchants involved in trading write to their governments to ask that laws be enacted to enable the enforcement of arbitral awards.

The Chair of the PSAP said that he appreciated the delegates' thoughts but felt that the New York Convention was sufficient. The delegate of COLOMBIA agreed with the Chair.

Mr. Ray Butler reminded delegates that sanctity of contracts was concerned with enforcement of foreign arbitral awards and that the New York Convention includes such enforcement. Mr. Butler encouraged governments to adopt the New York Convention.

Mr. Suresh Kotak mentioned a model law recommended by UNICTRAL in 1995 whereby all arbitration law was served in a single comprehensive law. He suggested that this could serve as a template to be used by other countries.

The delegate of AUSTRALIA noted that Australia was a signatory to the New York Convention and that it had passed the International Arbitration Act in 1974.

The Chair of the PSAP then introduced Mr. Romano Bonadei and asked him to discuss genetically engineered cotton. Mr. Bonadei explained that the use of genetically engineered cotton was expanding rapidly due to the economic benefits to both producers and consumers. He urged governments to approve the use of genetically engineered cotton based on the preponderance of evidence, including reduced pesticide use and lower production

costs. He also noted that governments do not allow farmers to grow genetically engineered cotton commercially in Europe and that some textile buyers refuse to accept products made with genetically engineered cotton.

Mr. Kotak was then introduced to discuss World Bank development projects. Mr. Kotak noted that price risk management has become more important and urged education as a means of encouraging greater acceptance.

The delegate of SUDAN wondered if risk management systems were another form of subsidy and asked for further clarification on the definition of risk management. Mr. Kotak said that risk management was not a subsidy and that any country could adopt it.

Mr. Macdonald likened risk management to an insurance policy whereby a farmer could be certain of the price of his crop at the time of planting.

The Chair of the PSAP next moved to the subject of government measures. He referred to Secretariat reports and Working Paper III, "Government Measures and the World Cotton Industry," which is attached. The PSAP reiterated the impact of distortions from government measures and pointed out that subsidies resulted in lower prices to all producers. The ICAC was urged to raise the issue of government measures with the WTO.

The Chair of the PSAP noted that a gradual but steady reduction in subsidies was needed and hoped that this trend would continue until reaching a total elimination of government measures. Referring to Working Paper III, he read the proposed resolutions. The PSAP urged that the stronger of the two resolutions be adopted referring to "major exporting countries."

The delegate of GREECE said that the subject was a serious one that it was not prepared to be discussed in the time available. The delegate thought it sensible to delay further discussion until the next day as had been scheduled.

The delegate of COLOMBIA asked how the PSAP members envisaged negotiators planning a gradual reduction. The Chair said that the PSAP realized that an immediate reduction was unrealistic but rather was looking for a way to gradually reduce subsidies.

The Chair of the PSAP, seeing no other comments, thanked the Steering Committee for the opportunity to discuss these issues with them.

The CHAIR of the Second Meeting of the Steering Committee thanked the PSAP and adjourned the meeting at 5:40 pm.

Third Meeting of the Steering Committee

8:30 AM, Friday September 21, 2001

Ms. Nancy Zitsanza in the Chair

The CHAIR reported that the Drafting Group had met the previous evening to prepare the draft statement. She thanked Mr. Eugene Brock of South Africa, who had chaired the Drafting Group, for his efforts. The CHAIR asked the Secretary General to read the draft of the statement. After the draft was read, the CHAIR asked delegates for their comments.

The delegate of the UK proposed that the following sentence be added in the paragraph on government measures, "The Committee expressed appreciation for the ongoing efforts made by the EU to reduce subsidies that distort cotton production, and noted that cotton area in the EU is being affected accordingly." The CHAIR saw there were no objections to the UK proposal.

The delegate of AUSTRALIA noted that the Secretariat had omitted the phrase, "reduction and elimination" in one sentence when preparing the draft statement. The CHAIR instructed the Secretariat to make that correction.

The CHAIR saw that no other additions or corrections were offered and found that there was a consensus to

approve the statement as corrected.

The CHAIR asked Mr. Neville Brown, who had been elected Chair of the Committee on Cotton Production Research, to report on the Technical Seminar that had been held on September 20. Mr. Brown reported that eleven reports from eight countries had been received during the technical seminar on topics related to Integrated Crop Management. The Committee also reviewed topics for the 2002 Technical Seminar and reviewed preparations for the World Cotton Research Conference–3. He summarized the papers. His report is attached.

The CHAIR asked for comments on the report.

The CHAIR observed that there was a consensus to accept the report.

The CHAIR adjourned the Steering Committee at 9:05 am.