

**REPORT  
OF THE CHAIRMAN  
OF THE STANDING COMMITTEE**

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**INTERNATIONAL COTTON  
ADVISORY COMMITTEE**

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Mr. Chairman, distinguished delegates and observers:

On behalf of the Standing Committee, I should like to congratulate the Government of Egypt and the Organizing Committee for the excellent planning and execution of this plenary. I know that Mr. Amin Abaza, Chairman of the Organizing Committee, and Mr. Nabil El Marsafawy, Board Chairman of the Trade Holding Company, and everyone in Egypt, have spared no effort in ensuring its success.

The theme for this year, *"The 21<sup>st</sup> Century Cotton Industry: Growth Through Private Investment"*, is indicative of the important challenges we have before us. We have come together here, in Egypt, this ancient center of culture, to discuss subjects of common interest for our industry. Here, in the protective shade of the pyramids and amid the human warmth of Cairo, we are meeting like a family, as in all our plenaries, to find the common denominator of our interests and thereby ensure the future of the cotton industry.

Undoubtedly, today the International Cotton Advisory Committee has two key tasks before it: first, to bring transparency to the market, and second, to facilitate cooperation among the member countries in connection with the cotton market.

The industry must not be deprived of US\$14.5 billion in a single harvest or US\$35 billion over four consecutive harvests because the market is distorted by government measures. On the other hand, the industry cannot continue with the growth rate of the last ten years, a mere 8%, while the competition grew 160%. The situation is a difficult one, but there must be something good about cotton for it to have withstood these circumstances. I believe that it is thanks to the consumer that the industry is surviving, but there must be an in-depth review and, if necessary, a change of paradigm in order to ensure the continuity of the industry.

It was my honor to chair the Standing Committee and head the Working Group on Government Measures (WGGM) this year, a year that will go down as a milestone in the history of ICAC thanks to the efforts of my predecessors, who were able to endow our Secretariat with a role of leadership and service. This achievement would not have been possible without the proactive cooperation of the executive director Terry Townsend and the economic team made up by Carlos Valderrama, Gérald Estur and Andrei Guitchounts. This team has been working on a review of the economic status of the industry and it is thanks to them that we are in a position to know where we are coming from and where we are headed. ICAC has become a leading international organization thanks to its precise market analyses and forecasts, its knowledge of the industry and the studies it has carried out. Here allow me to paraphrase Churchill, "Never have so many owed so much to so few."

For his part, Mr. Rafiq Chaudhry, at the head of the Technical Information Section has been stepping up the Committee's scientific and technical activity, as reflected in more than ten projects financed by the Common Fund for Commodities and other agencies at a cost of over US\$55 million. These studies have directly or indirectly benefited all the member countries. For example, at the hard-science end, we have the study done on the genetic code of the cotton *Geminivirus*, a pest whose vector is the whitefly. This study, run by the Universities of Tucson and Pakistan, is aimed at employing traditional hybridization together with biogenetics to develop a resistant plant strain. At the other end, we have the study done in cooperation with the government of India to process cotton stalks as a wood substitute in the production of building materials. This gives us

an idea of the importance and versatility of the Technical Information Section of ICAC, and the organization's leadership role on the international plane.

For example, last year witnessed the conclusion of the study of sticky cotton and the debate at the Victoria Falls plenary produced an array of excellent suggestions. However, this is today and will continue to be a challenge for the industry, one whose solution might be facilitated by ICAC, possibly through the use of certified cotton.

To share with you the background on how this issue of sticky cotton came to my attention, I would like to refer to the successful initiative undertaken by the Secretariat to take advantage of the proximity of ICAC headquarters in Washington DC to both, plantations and industrial facilities, to inform the delegates of the Standing Committee on the main aspects of the cotton industry in the United States. That initiative was made possible thanks to the good will of our hosts, the cotton industry and the government of the United States. Our first trip was to the World Trade Center, later tragically demolished, where we witnessed the operation of the futures' market. Last year we visited the growing region of Southern Virginia, where we saw several plantations, met with their owners and visited a ginning facility.

My remarks on sticky cotton were motivated by this year's visit to the Dan River Cotton Company in Virginia. We visited its excellent spinning and weaving facilities and after the factory visit, in a round table discussion with cotton buyer Mark Tapp, who purchases some 22,000 tons a year, we had an opportunity to analyze some of the problems affecting cotton, such as stickiness, caused by insects. Mr. Tapp explained that synthetic fibers do not cause difficulties in the spinning and weaving operations, while cotton lint often causes machine downtime due to defects such as stickiness in the lint.

We are convinced that this is a critical issue if we hope to hold our own against synthetic fibers.

If the case so demands, we will have to follow the example of organic products and make certain that sticky cotton is segregated all the way down the line from the farm through the looms. ICAC's technological decision-makers must take up that challenge, and the organization must also facilitate the establishment of standards and processes. This is not a new problem, but I insist that it is a crucial question for the future. If you take a look at the web page of the cotton market in Bremen, you will find an excellent picture of sticky cotton. Mr. Tapp reported that in some batches contaminated with sticky cotton they have had to mix in one part sticky cotton and thirty parts non-sticky cotton to avoid difficulties in the spinning and weaving operations.

Curiously enough, the ratio of cotton market growth to synthetic fiber market growth is one to twenty (8% to 160%). This suggests that we can still continue to lose momentum in the market until we are down to the ratio that is safe for spinners and weavers, i.e., one to thirty. If that should happen, our market share would amount to 3.33% and our only growth would be as a result of the growth of the world's population. Turning that trend around will require an effort by the entire industry to overcome the technical difficulties, improve processes and recover our markets.

To conclude now with the subjects brought up by Dr. Chaudhry, I would like to invite the member countries, as well as the non-members, to participate in the World Cotton Research Conference that is to be held in March of next year and which will bring together the most distinguished technical and scientific personalities of the industry. I would also like to reiterate that it is my conviction that the survival of cotton against the synthetic fibers is going to require a good deal of

well applied science to be able to overcome the factors that limit our ability to compete, such as sticky cotton and uniform fiber length.

Manager of information systems John Mulligan has spearheaded the updating of ICAC's Internet facilities. Today, ICAC's web page provides permanent access to its data bank and its information center, in some cases with payment of a modest fee, and free of charge for the government agencies of the member countries. Thanks to ICAC's information systems, we were able to push forward activities such as the Expert Panel on Biotechnology in Cotton in the past and the deliberations of the WGGM this year. We would like to develop the full potential of ICAC's information and communications capabilities; that is why we must find a way to set up chat rooms to facilitate an ongoing dialogue within the industry -- scientific, economic, business or social. The intention is not to replace personal contacts but to use this medium to enrich relations among all the actors in the industry.

Aside from its normal functions, this year the Secretariat was the organizing force behind the Conference on Cotton and Global Trade Negotiations, which was sponsored in conjunction with the World Bank. I want to congratulate our executive director, Mr. Terry Townsend, and our senior economist, Carlos Valderrama, who deployed all of their organizational and thematic capabilities in support of the conference, one that will mark a turning point in the history of ICAC, not only for the quality of the participants but also for its outcome. Thank you very much.

Many of you attended the Conference on Cotton and Global Trade Negotiations, where you received a first-hand impression of its achievements. The Conference heard a number of suggestions on how to reduce and eventually eliminate government measures that distort cotton production and trade. On the one hand, a distinction was made between cotton and other agricultural commodities; on the other, officials of the World Bank suggested it might be possible to provide short- and medium-term support for cotton- dependent countries by structuring funds and channeling resources to overcome the present crisis and allow time for the World Trade Organization to conclude its negotiations on agriculture and then bring about the implementation of the agreements stemming from it.

The most outstanding characteristic of the present crisis is its political nature. That is why the WTO negotiations must be backed with political instruments in several fields: (i) in ICAC's field of action, talks must be fostered among the different national cotton production industries in order to promote the establishment of self-discipline in production and marketing and support the advancement of cotton in all markets; (ii) governments must join efforts in the WTO negotiations to level the playing field for all actors at the marketing end of the industry by eliminating the subsidies and barriers that distort markets and, if necessary, they must turn to dispute settlement mechanisms to solve existing differences and identify and correct the legal shortcomings of WTO; (iii) foster campaigns in those countries that subsidize cotton production to create an awareness in their political leaders and the general public about the harm that these practices do to countries that do not subsidize. Such a campaign might be accompanied by aggressive advertising mechanisms, such as the use of logos and slogans, to accelerate the learning process, if the countries and industrial alliances that consider it convenient decide to take this road. But we shall have time enough for these subjects in future debates. The Standing Committee wants to thank the World Bank for the opportunity it provided the cotton industry by hosting the Conference and, especially, by taking part in the search for solutions.

Another important highlight of the year was the special cooperation of Mr. Ajai Malhotra, of India, our first Vice-Chair, and Mrs. Chigozie Obi-Nnadozie, of Nigeria, our Second Vice-Chair. The future leadership of the Standing Committee and the Working Groups will be in their hands; they have our complete confidence and support and we wish them success. I would also like to express my appreciation for the cooperation provided by Mr. James Johnson, assistant delegate of the United States and Chairman of the Subcommittee on Budget, who together with a number of other delegates, helped the Standing Committee through the approval of financial statements and the ICAC budget. I must also mention the cooperation of Mr. Hsin-hua (James) Wu, delegate of China (Taiwan) and Chairman of the Nominating Committee.

I should highlight the cooperation of associations and persons who, in collaboration with ICAC, have been contributing to the common good of the industry. Outstanding among them are Mr. Neal P. Gillen, of the American Cotton Shippers Association, who, at his own expense, represented the ICAC Secretariat at the meeting of the United Nations Commission on International Trade Law (UNCITRAL) on trade contracts. Equally significant were the presentations made by Professor Don Wallace, President of the International Law Institute, Washington DC, and Professor of Law at Georgetown University, who lectured the Standing Committee on arbitration and electronic commerce. ICAC has been supporting the drive by CICC (Committee for International Cooperation between Cotton Associations) to foster respect for commercial contracts and promote among our members the advantages of the New York Convention, which provides for international arbitration as the ideal mechanism for the settlement of trade disputes. In this connection, we would like to congratulate Brazil for its ratification of the Convention last April, thereby joining the majority of our member countries who have done so and facilitating commerce and its best practices.

We cannot omit mentioning the participation of Dr. Josette Lewis, of the United States Agency for International Development (USAID), who enlightened the Standing Committee on the advances of biotechnology and the way that governments have been adapting their monitoring and control agencies to regulate the development and use of this instrument to protect persons, animals, plants and the environment in general. She offered interested countries the agency's services to help improve control, monitoring and risk evaluation standards in connection with the new genetic technology.

In sum, if we are to ensure the future of the cotton industry, ICAC must provide support for both governments and industry in two fields: first, in the establishment of a market economy free of distortions, and second, in promoting cotton sales. On the one hand, we have seen how the synthetic fiber market has grown by 160%, as opposed to 8% growth of the cotton market. I ask myself, and I ask you, what is it we are not doing?

With regard to market distortions, the WGGM must continue to deliberate on the negotiation processes in WTO and, subsequently, on the implementation of the agreements. The WGGM may continue to operate with its present system, improving its use of the Internet and making other minor reforms.

In connection with market promotion, the ICAC facilitated the launching of the International Forum for Cotton Promotion, made up by national cotton organizations, whose results will soon become apparent. I am convinced, however, that ICAC is called upon to assume an even more prominent leadership role. We may possibly have to consider the incorporation of a marketing specialist into the Secretariat in order to define a new paradigm for cotton. That person will have to work closely

with the Technical Information Section to launch new processes and improve existing ones. I am recommending, in fact, that we enhance the Secretariat roster with the addition of a marketing specialist who will be in charge of coordinating the efforts being deployed by the industry and ICAC to facilitate the recovery of our markets. All of our countries will be called upon to make financial contributions as an investment in the future, after due consideration and recommendation by the plenary. This way we will increase the chances for cotton products to preserve their permanence in the world's markets.

To implement the theme of this plenary, "The 21<sup>st</sup> Century Cotton Industry: Growth Through Private Investment," allow me to suggest the establishment of another working group, whose mandate will consist in leading the promotion, marketing and enhancement of production processes in the cotton industry and advising the Standing Committee and the Plenary on these goals. In other words, this group would be entrusted with working out a new paradigm to share in market growth with synthetic fibers. It would rely on Internet for communications and would eventually use the projected ICAC chat room. This would facilitate a direct and economical exchange of ideas and views. Once market trends are transformed, increased private investment will become a reality. For the time being, we shall continue to witness investment flows from one country to another.

With regards to the practical application of these new media, it would be of great importance to examine how the Secretariat could provide translation services – with certain restrictions – to facilitate communications among the members of the various working groups in situations whose significance warrants it, thereby fostering greater involvement and richer contributions by all actors in the cotton industry.

The Standing Committee recommends Mr. Ajai Malhotra, of India, Ms. Chigozie Obi-Nnadozie, of Nigeria, and Mr. Luc Devolder, of Belgium, for the posts of Chair, First Vice Chair and Second Vice Chair of the Standing Committee. I have no doubt that the industry will score great successes and attain significant achievements with this new Executive Board, whose members enjoy the unanimous support of the Standing Committee.

I thank the plenary for the duties it entrusted to me in Victoria Falls, Zimbabwe. Chairing the Standing Committee has been both a privilege and a challenge for me, as well as an opportunity to contribute to the progress of the world cotton market. I would like to express my appreciation for your support, the support of the Secretariat, the members of the Standing Committee and of the WGGM. Thank you very much.

Lastly, I would like to thank, on behalf of the Standing Committee and in my personal behalf, the Government of Egypt, the Organizing Committee, the governments represented here, the international agencies present, the observer countries and all the participants for attending this event. I can safely say that the decisions issuing from this plenary will serve the interests of your peoples and your industries. Once again I thank you for your attention and your confidence.