

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

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India

to the 62nd Plenary Meeting of the
**INTERNATIONAL COTTON
ADVISORY COMMITTEE**

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Mr. Chairman,
Distinguished delegates to the 62nd Plenary Meeting of the International Cotton Advisory Committee,
Observers and Guests:

At the outset I would like to express the deep appreciation of the International Cotton Advisory Committee to the Government of Poland for hosting the 62nd Plenary Meeting of the ICAC in Gdansk. The arrangements have been excellent and we have all been touched by the traditionally warm welcome extended to us in this beautiful and historic city, Gdansk.

Poland joined the ICAC in 1991 at the plenary meeting held in Turkey only a few short years after the end of the COMECON trading organization. The Gdynia Cotton Association is an important member of the Committee for International Co-operation between Cotton Associations (CICCA) and serves as the primary cotton association for trade within Central Europe. The textile industry of Poland accounts for approximately 60,000 tons of cotton use per year, the most in Central Europe. We cherish Poland's active involvement in the work of the ICAC.

Mr. Chairman, it is my responsibility to report on the activities of the Standing Committee since the 61st Plenary Meeting in Cairo, Egypt, last year. I am happy to inform that the Standing Committee has had a most productive year. It met seven times between December 2002 and July 2003 and tackled an ambitious list of topics assigned by the Advisory Committee in 2002. I want to thank the other Standing Committee officers for their support, including Ms. Chigozie Obi-Nnadozie of Nigeria who served as First Vice Chair and Mr. Luc Devolder of Belgium who served as Second Vice Chair. I fully endorse the nominations of Ms. Obi-Nnadozie to serve as Chair of the Standing Committee during the next year, Mr. Devolder to serve as First Vice Chair and the nomination of Mr. Bakhtiyar Ibragimov of Uzbekistan to serve as Second Vice Chair. I also want to thank all members of the ICAC Standing Committee in Washington for their active participation and useful contributions.

Cotton Promotion

The decision by the Standing Committee to support the hiring of a consultant to further the work of the International Forum for Cotton Promotion (IFCP) was a major achievement that will serve the strategic interests of the cotton industry. This decision was based on an instruction to the Standing Committee from the 61st Plenary Meeting in Cairo to investigate how best to support the work of the IFCP.

The Standing Committee received a presentation from a Co-Coordinator of the IFCP at its 464th meeting. It was reported that almost all the increase in global fiber demand

at the retail level since the mid-1980s was captured by polyester, and cotton's challenge is to remain competitive with chemical fibers. There was rapid growth in consumer demand for cotton in the USA, but growth in cotton demand was largely stagnant in the rest of the world during the 1980s and 1990s. It was conveyed to the Standing Committee that the US experience shows that consumer demand can be enhanced through research and promotion.

As delegates may be aware, the IFCP is an organization of private sector cotton industry bodies from 15 countries. Its aim is to encourage increased retail level consumption of cotton by serving as a clearinghouse for information on cotton promotion and by facilitating the creation of national cotton industry bodies, led by the private sector, to provide positive information about cotton to consumers using domestic resources. At its 465th Meeting, the Standing Committee approved a proposal to contract with a consultant for the support of the IFCP. All of the funds to support the consultant are coming from the private sector through the Secretariat business plan and from dues paid by IFCP members. This decision is consistent with the catalytic role of the ICAC.

At its 466th Meeting, the Standing Committee approved the terms of reference for the hiring of a consultant to promote cotton promotion. Since then the Secretariat, in consultation with the Co-Coordinator of the IFCP, has been able to recruit and hire a well-qualified consultant in June of this year. Mr. Jeffery Silberman will be able to provide the ongoing support to the IFCP that is necessary for a successful effort to facilitate increased cotton industry activity in demand enhancement efforts. I am confident that Mr. Silberman will contribute substantially to the work of the IFCP.

Cotton Quality Evaluation Systems

During the past year, the Standing Committee has also stayed abreast of crucial issues affecting the cotton industry and received several highly informative reports from the Secretariat. I wish to thank the Secretariat for their professionalism and competence in serving the interests of governments and the cotton industry in general.

One of the outcomes of the 61st ICAC Plenary Meeting was the recognition that instrument-based quality evaluation systems are superior to the traditional method of hand classing and that all producing countries will eventually need to implement such systems to satisfy the requirements of spinners. During its 463rd Meeting, the Standing Committee was briefed by a USDA official about the costs, logistics, and training of personnel and other practical issues involved in the installation and operation of instrument-based quality evaluation systems. It was noted that fiber quality testing laboratories exist throughout the world, but to operate a national system with uniform results across large numbers of samples from a broad geographic area, such testing

laboratories must be integrated into an overall classification system. The costs for maintaining the USDA cotton classing system are paid by producers through an assessed fee per bale. As technology improves, the role of manual classing can be expected to decline further. Instrumentation will clearly play an increasingly important role in keeping cotton competitive.

Genetically Engineered Cotton

At the 465th Standing Committee Meeting, the Secretariat reported that genetically engineered cotton varieties already account for more than 20% of world cotton area. It was further reported that transgenic crops were planted on 59 million hectares during 2002/03, an increase of 12% over 2001/02. Cotton accounts for 11% of world transgenic crop area. Two new transgenic technologies are due to be commercialized during the next several years, Bollgard II from Monsanto and VIP from Syngenta. According to the Secretariat, the new technologies will increase the efficacy of genetically engineered cotton varieties and will help to prevent the development of insect resistance to the toxin produced in the first generation of Bt cotton varieties.

Government Measures Affecting Cotton

At its 466th meeting, the Standing Committee received a draft report from the Secretariat on government measures, and a subsequent report was presented at the 469th meeting. The Secretariat reported that in 2002/03 eight countries provided approximately \$4 billion in direct income and price support to cotton producers. This was down from 14 countries in 2001/02. Support was reduced because production in 2002/03 was lower and prices were higher. Nevertheless, the support programs that distort cotton production and trade unfortunately continue to remain in place. This situation needs to be rectified as it negatively impacts on many cotton farmers, particularly in the developing world. In this context, the talks on agriculture being conducted under the auspices of the World Trade Organization remain of extreme importance to the cotton industry and we hope that they will reach useful conclusions. The Secretariat also reported on barriers to trade in cotton textiles and apparel, thus providing a useful and timely addition to the overall picture of government measures affecting the world cotton industry supplied by the Secretariat.

Private Sector Advisory Panel

At its 467th Meeting the Standing Committee met with the Private Sector Advisory Panel (PSAP). I want to thank the PSAP members for their enthusiasm and support in seeking to ensure that the work of the ICAC is of relevance to the private sector. Members of the PSAP serve on the Panel at their own expense, and their impacts on

the work program of the Secretariat and the agendas of plenary meetings are specific and substantial. During its meeting in Washington this May, the PSAP recommended that certain Secretariat publications be discontinued, that others be shortened and refocused, and that the time saved be redirected toward increased educational programs. The PSAP suggested that future plenary meetings could be shortened. The PSAP expressed appreciation for the addition of breakout sessions to the plenary meeting agenda and suggested that these be expanded into plenary sessions. The PSAP urged the Standing Committee to work for the approval of genetically engineered cotton varieties, to ensure that valid arbitral awards are enforceable and to facilitate the implementation of instrument-based cotton classification systems based on universal standards. Notably, the PSAP also supported efforts by governments to work within the WTO to reduce government measures that distort world cotton production and trade.

Sustainable Development

At its 468th meeting in New York City in June, the Standing Committee heard a report from a representative of the UN System on the role of commodities in achieving sustainable development. It was reported that a major focus within the UN related to agriculture is water sustainability and increasing the efficiency of fresh water use. It was also pointed out that some experts believe that water scarcity will be the greatest constraint to sustainable development.

Competing Fibers to Cotton

At its 469th Meeting, the Standing Committee received extremely useful reports from the Secretariat about the efforts of chemical fiber manufacturers to emulate the technical properties of cotton and efforts to promote chemical fiber products. The Secretariat noted that there is no single organization representing the world chemical fiber industry, and each manufacturer promotes chemical fibers. Available evidence suggests that the cumulative budgets for chemical fiber promotion are several times greater than the amounts being spent to enhance cotton demand. I would urge governments to review these reports from the Secretariat in order to be aware of the wider competitive challenges facing the world cotton industry.

ICAC Budget

An important function of the Standing Committee is to oversee the budget of the ICAC Secretariat and to approve the scale of assessments each year. I want to thank Mr. James Johnson of the USA who served as Chair of the Subcommittee on Budget

during the past year and also those members of the Standing Committee who participated in the work of the Subcommittee. Their conscientious hard work made our task easier.

The matter of arrears remains an issue of significant concern to the Standing Committee. As reported by the Secretariat, thirteen member countries owed more than \$500,000 as of the end of the last fiscal year, and as a consequence the Working Fund was depleted. In an effort to work out a solution to this problematic situation, the issue was discussed during two meetings of the Standing Committee. I would endorse the suggestion of the Standing Committee that the Secretariat give greater visibility to the issue of arrears by providing a list of countries that are not current in the payment of assessments at each meeting of the Standing Committee and at each plenary meeting. I would also endorse the recommendation from the Standing Committee that the period of arrears before publications and other services are discontinued be reduced from 18 months to 12 months. I do hope that these steps would help and ameliorate the situation and would like to remind all member countries of the importance of timely payment of assessments in order that the ICAC remains strong and healthy.

ICAC Membership

The ICAC has demonstrated great strengths over the years in its ability to raise awareness of issues, provide information and serve as a catalyst for cooperative action. However, a major strategic challenge facing the Committee is how to encourage increased membership. One country withdrew from membership in the Committee at the end of the last fiscal year. It is, however, encouraging to note that several countries are presently seriously considering membership in the Committee for the first time. I would urge participants in the plenary meeting from such non-member countries to advocate to their governments the value of membership in the ICAC.

ICAC Secretariat

In conclusion, I would like to convey my gratitude to Mr. Terry Townsend, Executive Director of the International Cotton Advisory Committee, as well as to every member of the ICAC staff. They have put in a tremendous amount of hard work during the past year. Their performance has been competent, professional and to the entire satisfaction of the Standing Committee and I thank them for their efforts.