

**REPORT OF THE WORKING GROUP ON GOVERNMENT MEASURES
(WGGM) TO THE 64TH PLENARY MEETING OF INTERNATIONAL
COTTON ADVISORY COMMITTEE (ICAC) HELD IN LIVERPOOL,
UNITED KINGDOM**

By Chair of the Working Group, Dr Siphwe F. Mkhize

Mr. Chair, Ladies and gentlemen, Good day and thank you for inviting me to be part of the 64th Plenary Meeting of the International Cotton Advisory Committee (ICAC), in this beautiful City of Liverpool.

Last year at the 63rd Plenary Meeting of ICAC in Mumbai, India, a resolution to reactivate the Working Group on Government Measures (WGGM) was adopted and as a result the ICAC Secretariat and the Standing Committee of ICAC worked to reactivate the Working Group. The major task of the WGGM was to make recommendations to the ICAC conducive to the elimination of cotton export subsidies and all other subsidies and government measures that distort cotton production and trade.

Mr. Chair, you will remember why I say that the WGGM was reactivated, it is because the 60th Plenary Meeting in 2001 in Victoria Falls, Zimbabwe created the WGGM. The WGGM organized a Conference on Cotton and Global Trade Negotiations which was held at the World Bank in Washington DC, in July 2002. The WGGM also compiled reports from member governments about the economic impacts of low cotton prices, and its report was presented at the 61st Plenary Meeting in Egypt.

Mr. Chair, I am happy to report that the members of the Standing Committee of ICAC met in January 2005 to discuss a number of issues and one of those was to act on your resolution to reactivate the WGGM. Prior to reactivation of the WGGM a number of ICAC delegates reaffirmed that their governments were interested in a

successful outcome to the Negotiations on Agriculture in the Doha Development Round. They also recognized the challenge for the governments as they work on modalities to implement the July Framework on Agreement and that many governments lack resources in Geneva to stay abreast of developments affecting cotton. It was then decided that the process of reactivating the WGGM should go together with the developments affecting cotton at World Trade Organization (WTO). It was also agreed that a comprehensive document regarding the negative impact of various trade distorting measures on cotton would be compiled based on a number of sources which were already available to the Secretariat. The ICAC delegates also agreed that the document should also be communicated by the ICAC to the WTO through a presentation to the Sub-committee on Cotton of the WTO. It was also emphasized that it would be good if all ICAC members countries that were members of the Sub-committee on Cotton were urged to regularly attend and actively participate in the Sub-committee meetings, although it was noted that not all or some members do not have permanent presence or Missions in Geneva at WTO. Some members were of the opinion that ICAC should seek observer status with the Subcommittee on Cotton of the WTO, and further to that, each member country should be requested to present the ICAC's WGGM final document to their negotiators, and on regular basis liaise with their negotiators to stress the urgency of this matter.

Mr. Chair, the WGGM met on February 8, 2005 and determined that Secretariat should expand its annual report on Production and Trade Policies Affecting the Cotton Industry to also list and describe other forms of government measures that distort cotton, export credits and export credit guarantees and other measures that the Secretariat was able to identify. In April 2005, a fully reactivated WGGM met, and accordingly a summary of the work previously asked from the Secretariat was presented and that work included a list of government policies linked to prices, policies linked to production, policies linked to exports, policies linked to inputs, policies linked to services, and policies linked to sector administration, environmental protection and regional development. The report included examples

of policies in each country that are/were currently in use on each policy toll. It was then agreed that a comprehensive study of all forms of government measures was not feasible within the timeframe given. The Secretariat was then instructed to narrow the scope of study so that it can accomplish as much as possible in order to be able to provide information by July that could be of relevance to the WTO process. The WGGM recommended that the Secretariat request information on government measures directly from Coordinating Agencies. It was also reiterated that the Secretariat should narrow the scope of its study to focus on matters of direct relevance to the concerns of African countries in WTO.

Mr. Chair, the WGGM met again on May 13, 2005 where there were discussions about the surveys of Government Measures and Barriers to Trade in Textiles which are part of the normal data gathering efforts of the Secretariat and is conducted every two years, and that the government measures that were conducted on instruction from WGGM as a long term project to provide a broad perspective on government involvement in agricultural sector. The secretariat reported on its visit to Geneva where all the missions to the WTO that were contacted and visited had indicated that the work of the ICAC in providing the information on government measures affecting cotton production and trade was highly appreciated. The Secretariat also reported that negotiators in Geneva had urged it to continue to provide targeted information about direct subsidies to cotton and the main policies affecting the world cotton market. Negotiators had also encouraged the Secretariat to expand on the details of the methodology used to measure the impact of subsidies on cotton prices, and to provide documentation about the sources of the information provided in the reports. It was reported that the work of ICAC is highly appreciated by delegates at WTO and the publications of the Secretariat are regarded as objective, credible, and reliable. It was also reported that most countries strongly supported the request of the ICAC for observer status in the Subcommittee on Cotton, although not all countries support the request. The biggest opposition had come from China (Mainland), and it also came out that also the USA was not comfortable with the ICAC being an

observer to WTO. The Secretariat of the WTO and the various delegations to the WTO noted that a contribution by ICAC to a successful outcome of Doha Round of negotiations would have to include China (Mainland) in discussions within the ICAC in regard to government measures, and urged the ICAC to find a solution to the issue of membership of China (Mainland). **After some deliberations of the WGGM it was found that the issue of China (Mainland) membership is a broader issue which did not belong to the WGGM but to the whole ICAC and plenary meeting.**

It was also noted that the July Framework which mandated the establishment of the Subcommittee on Cotton, limited the subcommittee to non-negotiation activities, and specifically instructed the subcommittee to ensure that the development aspects of the cotton initiative are taken into account in the overall agricultural negotiations within the Doha Round. The WGGM members also noted the Draft Modalities Concerning the Sectoral Initiative in Favor of Cotton which was circulated by the African Group within the WTO. It was agreed that as ICAC was not a negotiating body and that its role was to disseminate information and raise awareness of cotton issues nothing could be done at that meeting but members were welcome to make comment at the Standing Committee meeting.

Finally Mr. Chair, the discussions and deliberations which were held by the WGGM helped us and the ICAC to keep focus on issues of government measures affecting cotton, and also assisted us in following the negotiations in Geneva. They also raised our expectations and hope that the Doha Development Round will end successfully, and that cotton issues will be dealt with within the context of the negotiations on agriculture.

I thank you.