



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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## *Conference on Cotton and Global Trade Negotiations*

### Closing Remarks

Terry Townsend  
Executive Director

I want to begin by extending a thank you to Kevin Cleaver and his associates at The World Bank for their assistance in co-sponsoring the Conference. Kevin is the official at The Bank that provided clearance to co-sponsor the event with the ICAC, and his leadership and personal prestige contributed to the success of the Conference. I would like to recognize Ousmane Badiane, John Baffes, Kristyn Ebro, and Panos Varangis for their help with the organization and logistics of the Conference. I also want to thank Azra and her AFT-2 Group for their help with badges, papers, registration, microphones and other minutia necessary to the conduct of a successful meeting; all of the assistance received these past three days has been much appreciated.

I also want to acknowledge the Embassy of Brazil who served as host of the reception held on Monday, the embassies of Australia and the Philippines for their help in supporting the reception and for The Seam, a neutral Internet trading platform for cotton, who sponsored the reception.

From the ICAC Secretariat, the person most responsible for arrangements and organization was Carlos Valderrama, and he deserves much credit for his efforts. I also want to thank all the speakers, moderators and participants who attended the conference and made presentations. The conference was out of the normal sequence of cotton-related events, and I realize that there were substantial commitments of time and expenditure associated with attendance. The high level of participation enhanced the stature of the ICAC and The World Bank and allowed the Conference to achieve its objectives.

More than 200 persons from 45 countries and 7 international organizations participated in the Conference. The purpose of the Conference was to encourage a successful outcome to the negotiations on agriculture being conducted under the auspices of the WTO. The objectives of the conference were to raise awareness of the importance of cotton to the world economy and to emphasize that distortions in the cotton market are caused not only by export subsidies and limits to market access, but also by production subsidies.

There were four major themes that emerged from the Conference:

1. First, cotton was recognized as an important agricultural commodity. As Ian Johnson noted in his welcoming remarks, agriculture is central to the economic growth of many countries and contributes to sustainable development and socially responsible development. Mr. Johnson noted that agricultural policies are increasingly international in impact. Alfonso Liévano reported in his welcoming remarks that the decline in cotton prices during 2001/02 led to direct losses of \$14 billion in income to the cotton sector, and as François Traoré reported, income from cotton provides money for school fees, rural transportation and health care for farm families in many developing countries. According to information provided by Paola Fortucci, more than 100 million farming units are engaged directly in cotton production. The ICAC Secretariat estimates that when family labor, hired on-farm labor, and workers in ancillary services such as transportation and ginning are considered, total involvement in the cotton sector reaches one billion people. Kevin Cleaver presented evidence that cotton cultivation contributes to food security and improved life expectancy in rural areas of developing countries.

2. Secondly, a majority of participants in the Conference agreed that the cotton market is highly distorted. Aluisio Lima-Campos noted that fourteen countries representing three-fourths of world cotton production administer direct income and price support programs for cotton growers. These government measures result in higher production of cotton and force the burden of adjustment to low cotton prices onto growers in countries that do not provide similar measures of protection. Secretary General Gaviria recounted the history of the talks on agriculture in the Uruguay Round of GATT negotiations, noting that the agreement establishing the World Trade Organization (WTO) was the first time that agriculture had been brought under world trade disciplines common to industrial goods. The challenge now for agricultural industries is to make the disciplines more effective under the Doha Round of talks. There was general agreement that all countries have the right to support their rural sectors, but several speakers, including João Pessa, said that distortions that insulate producers from market forces, causing producers in other countries to bear the brunt of declines in prices, should be changed.
3. Third, there are practical and effective measures that can be implemented in producing countries that will help to offset the impacts of low cotton prices. Many speakers noted that the process of reducing government measures that distort the cotton market will take many years, and as reported by the ICAC Secretariat and by Mark Lange, legitimate competitive market factors are also contributing to the decline in cotton prices this season. Therefore, countries must adapt to the realities of a change in the market structure for cotton. Several speakers suggested that countries continue efforts to improve productivity and to raise levels of efficiency in cotton processing and marketing. A major contribution by Mark Lange was to note that the U.S. industry and government contribute more than \$200 million per year in domestic and international cotton market development efforts. The ICAC Secretariat estimates that these efforts, begun in the 1950s, are now boosting world demand for cotton by two million tons per year. The Secretariat estimates that in the absence of government measures, U.S. cotton production would be approximately 1.5 million tons lower. Therefore, objective estimates of supply and demand indicate that the net impact of the U.S. cotton industry on the world market, even with high levels of government support, is positive. The USA invites additional countries to join in the effort to boost demand for cotton. As Bernard Hoekman noted, the WTO process involves tradeoffs and hard bargaining. There may be scope for compromise between the USA and other countries with the USA agreeing to reduce levels of government support for cotton production in exchange for sustained and vigorous efforts by other producing countries to boost demand for cotton.
4. And fourth, there was broad agreement that the venue for the negotiation of reductions in government measures that distort cotton production and trade is the World Trade Organization (WTO). Michele Fok noted that cotton is important to the history and culture of the USA, and cotton production is important to farmers in Greece and Spain. Furthermore, the USA and the EU are not the only countries to provide support in the cotton sector, many countries provide support to other agricultural commodities besides cotton, and many countries impose tariffs on textile and apparel products. Therefore, the negotiations to reduce government measures in cotton involve complex tradeoffs, and the mechanism to achieve equal and reciprocal reductions in trade distorting subsidies and tariffs is the talks on agriculture in the WTO. As Pedro de Camargo Neto noted, "The WTO is the sum of the countries that participate in it." In order to advance the interests of agricultural trade liberalization, countries must unify and work effectively to articulate a positive program of mutual benefit within the talks on agriculture being conducted under the auspices of the WTO.

#### Next Steps:

As articulated by François Traoré, it is important to continue the spirit of collaboration established at the Conference. The ICAC Secretariat will produce a Conference Summary and a simplified

four-page presentation of major conclusions and pertinent charts and tables for general distribution. All documents and presentations are being placed on the ICAC web site at [www.icac.org](http://www.icac.org). The Secretariat will continue its ongoing activities to monitor and evaluate the number, size and impact of government measures with direct impacts on the world cotton industry.

The results of the Conference will be discussed on July 23, 2002 during a meeting of the ICAC Standing Committee in Washington, and recommendations for adoption at the 61<sup>st</sup> Plenary Meeting of the ICAC will be developed. The subject of government measures is scheduled for discussion during the Third Plenary Session on Tuesday, October 22 in Cairo, and I invite all participants in this Conference to attend the Plenary Meeting.

The Secretariat will work with staff at The World Bank to ensure broad dissemination of results within The World Bank Group. A summary of the Conference will also be sent to the secretariats of other international organizations. In addition, the Secretariat will participate in a Symposium for WTO negotiators being organized in Geneva by FAO on October 3, 2002 to present highlights from the Conference.

A significant conclusion from the Conference is that countries must make the talks on agriculture and the problems of the cotton industry a priority in their negotiations within the WTO. Coordinating Agencies are encouraged to utilize material from the Conference in discussions with their own government officials and WTO negotiators.

Finally, it is necessary for all countries to implement the self-help activities appropriate to their circumstances, including the development of programs of cotton promotion.