



66th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES INAUGURAL SESSION

9:00 hr. Monday October 22, 2007
Ms. Tuncer Kayalar in the Chair

The CHAIR called the meeting to order. She welcomed all participants and introduced the Honorable Kürşad Tüzmen, Minister of State of Foreign Trade of the Republic of Turkey.

Minister Kürşad Tüzmen welcomed all participants to the 66th Plenary Meeting of the International Cotton Advisory Committee. He noted that the textile and clothing sector plays an important role in the economies of developed and developing countries. He said that trade in textile and clothing had been boosted by the elimination of quotas in 2005 and accounted for about 5% of world total merchandise exports, with an amount of almost \$500 bn.

He described the place of Turkey among the major players in the world cotton sector: 2nd largest importer, 4th largest consumer and 7th largest producer. He said that Turkey's textile exports rely heavily on the cotton sector. He noted that world cotton production has grown sharply in 2004/2005 but the increase has been matched by an increasing demand. He recalled the cotton initiative of the C-4 African countries, which was a strategic step towards fair trade. Having been personally involved in the WTO negotiations for the past 10 years, he said progress has been made, notably in Hong Kong, towards the elimination of export subsidies.

He described the impressive growth of Turkish imports and exports and said that Turkey ranks 4th for clothing exports and 9th for textile exports. He explained that Turkey is moving ahead towards original branded exports. He said that cotton production in Turkey had a vast potential to increase to meet local demand and acknowledged the creation of the National Cotton Council with active participation of all segments of the industry.

The Minister gave his personal views on the ways to meet the challenge of sustaining competition through interaction between competitive advantages, factor evolution, market approach, demand enhancement and supporting industries.

He urged the delegates to take the opportunity of their presence in Izmir to enjoy the cultural and social life of the city and asked their support for the candidacy of Izmir for the organization of the international event "Export 2015".

The CHAIR thanked Minister Kürşad Tüzmen for his welcoming remarks.

The CHAIR introduced Mr. Aziz Kocaoglu, Mayor of Izmir Metropolitan Municipality.

The mayor welcomed all participants to the Plenary Meeting. He said that cotton had a very special place for Turks who call it the "white gold", especially in the Aegean region. He praised the quality of cotton grown in Izmir. However, he noted that production had dropped due to a combination of internal and external factors. As a result, Turkey has become the second largest importer of cotton after China. He said he believes that cotton production could be revived with adequate funding and hoped that Izmir will be one of the major cotton centers of the world. He noted that global warming and drought were a threat for the world cotton industry and urged participants to address the issue and solve the problem. He expressed the hope that the meeting will create new synergies for the development of cooperation between member countries. He thanked the Undersecretary of Foreign Trade and the Organizing Committee for making this meeting possible. He requested support of all participants for the candidacy of Izmir for "Export 2015".

The CHAIR thanked the Mayor for his welcoming remarks.

The CHAIR introduced Mr. Cahit Kinac, Governor of Izmir. The Governor said he was proud to welcome all guests to the city and the region of Izmir. He noted the important role of cotton for meeting the basic human needs, providing employment and creating value addition. He stressed the importance of cotton in the Turkish economy and the place of Turkey's cotton sector in the world cotton economy. He explained that cotton plays an important role in the Aegean area, which is the second largest producing area in Turkey after Southeast Anatolia. The meeting and its theme "Strategies for National Competitiveness" will give cotton producers a good opportunity to increase their competitiveness by learning from experiences in other countries. He said that cotton production in

Turkey declined by 20% in 2007 due to global warming and the resulting drought. He expressed the wish that the meeting will help find solutions to mitigate the negative effects of global warming on cotton production. The governor concluded his remarks by wishing all participants a very successful meeting.

The CHAIR thanked the governor for his welcoming remarks.

The CHAIR delivered her welcoming remarks. She welcomed all participants to Turkey. She thanked the ICAC for organizing its Plenary Meeting for the 3rd time in Turkey, and she thanked the sponsors for their support to the organization of this event. She said that discussions on the theme "Strategies for National Competitiveness" will give participants an opportunity to share their various experiences in their countries on all important issues and problems facing the cotton industry. She indicated that the 66th meeting will give an opportunity to assess the progress of the WTO multilateral trade negotiations on cotton. She expressed her confidence that the Plenary Meeting will pave the way for a better understanding of the current situation and future prospects of the sector while fostering cooperation among member countries. She concluded by thanking the guests for their participation and wished them a memorable stay in Turkey.

The CHAIR gave the floor to the delegate of Argentina who requested earphones for participants who were unable to listen to the interpreters. The CHAIR apologized for the inconvenience and said that the problem would be solved.

The CHAIR introduced Ms. Elena Cores of Spain, Chair of the Standing Committee, to present her report. Ms. Cores expressed the deep appreciation of all the members of the Standing Committee to the Government of Turkey for hosting a third Plenary Meeting in 50 years. She said that the interest and support of Turkey in the work of the ICAC is really appreciated. She reported on the activities of the Standing Committee since the 65th Plenary Meeting which was held in Goias, Brazil, in 2006. She said that the Standing Committee has had a productive year. She said that the Standing Committee formed an Expert Panel on Social, Environmental, and Economic Performance of the world cotton industry (SEEP) to provide the ICAC with information on positive and negative aspects of global cotton production. Currently the Expert Panel is formed by 13 members from 10 countries and a representative of FAO. Ms. Cores thanked all members of SEEP for their work. The Standing Committee worked with the WTO to conduct a workshop on the trade and development aspects of the Doha Round and continued to evaluate the impact of government measures on cotton prices and trade. She reported that the Standing Committee worked closely with the Secretariat on membership in the ICAC. Ms. Cores thanked Mr. Jacob Pasgo, Chair of the Task Force on Membership for his work. Currently the ICAC has 44 member governments. The Standing Committee approved the Agenda of the 66th Plenary Meeting. Ms. Cores recalled that the United Nations declared 2009 to be the International Year of Natural Fibers (IYNF). She said that the ICAC supports this declaration and that the agenda of this Plenary Meeting has been extended to include a meeting of the IYNF Steering Committee.

She reported that the Standing Committee oversaw, controlled and approved the annual budget of the ICAC. She thanked the members of the Sub-committee on Budget and the governments for their efforts in remaining current in the payment of assessments. She endorsed the nominations of Ms. Cecilia Marincioni of Argentina as Chair, Mr. Jacob Pasgo of Burkina Faso as First Vice-Chair and Mr. Ashaf El-Rabei as Second Vice-Chair.

She expressed her gratitude to the Executive Director and the members of the Secretariat for their hard work, their professionalism and their support and welcomed the new economist, Mr. Alejandro Plastina.

Ms. Cores concluded her remarks in wishing all participants a very interesting and productive Plenary Meeting.

The CHAIR thanked Ms. Cores for her report.

The CHAIR introduced Mr. John Mitchell, Cargill Cotton, USA, Chair of the Private Sector Advisory Panel (PSAP). Mr. Mitchell reported that 16 people from 8 countries attended the PSAP meeting on October 21st, 2007. The meeting discussed the International Forum for Cotton Promotion (IFCP), He said that the PSAP recognizes the importance of the work of the PSAP and encourages continued support by the ICAC. Private sector interests are encouraged to consider the benefit of developing promotion programs and learn about the resources available from the IFCP. The PSAP reported that excess moisture in cotton bales is a growing problem from several origins, and the PSAP recommended that the Secretariat facilitate cooperation with the International Textile Manufacturers Federation (ITMF) to gather information and address the issues of bale moisture measurements, standards and education. The PSAP reviewed the progress of the ICAC Strategic Plan. The PSAP noted significant progress in the Specific strategies for the six goals of the Plan. The PSAP concluded that the goals of the Strategic Plan

remain relevant and current strategies are appropriate.

By consensus Dr. Sebahattin Gazanfer of Turkey was selected as Vice-Chair of the PSAP for one year and he will then assume the Chair. Mr. Mitchell said that the PSAP congratulated the Secretariat and the Executive Director on their work. The ICAC is a globally respected advocate of the cotton industry and a dependable source for unbiased information. The PSAP commended member governments for promoting communication and cooperation throughout the world of cotton and is grateful for their consideration of recommendations from the private sector.

The CHAIR thanked Mr. Mitchell for his report.

The CHAIR introduced Dr. Terry Townsend to present his report as executive director.

Dr. Townsend said it was an honor to address the 66th Plenary Meeting. He said that the past year has been a year of anticipation, anxiety and also of accomplishment for the world cotton industry and the Committee. The world is anticipating a constructive result in the discussions in the WTO in the near future. A successful outcome to the Doha Round is a strategic goal of the ICAC and the agenda of the 66th Plenary Meeting accords special status to the issue of government measures. The ICAC has a role in the WTO process and the work to analyze the impact of government measures on the cotton industry is among the most important components of the Secretariat work plan.

He commented that despite concrete steps, in particular the elimination of export subsidies by developed countries in 2006, it is broadly recognized that progress in the Doha Round so far has been disappointing. Member governments of the ICAC should encourage WTO negotiators to make progress on all three pillars of the talks on agriculture so that improvements can be achieved in the cotton sector.

He said that despite strong growth in production and consumption, the competitive pressures felt by the cotton sector as a whole are substantial, particularly in the CFA zone of Africa. The ICAC is serving a concrete function to facilitate cooperation in achieving competitiveness goals. The Executive Director reported that significant accomplishments were recorded this past year. The work of the ICAC Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC) is contributing directly to the achievement of the WTO goal of harmonization of international standards. He listed the conferences organized by the ICAC in 2007 in cooperation with other organizations: the 4th World Cotton Research Conference (WCRC-4) in Lubbock Texas, a conference on the Trade and Development Aspects of Cotton in the Doha Round in Accra, Ghana, in cooperation with the African Cotton Association, a conference on Opportunities for Increased Trade in Cotton and Textiles in Bangladesh, a conference on the World Cotton and Textile Market: Outlook for 2010 in Tashkent, Uzbekistan.

The executive director said that the Committee established an Expert Panel on Social, Environmental, and Economic Performance of the world cotton industry (SEEP).

He praised Mr. Carlos Valderrama's valuable contributions during 19 years as economist and head economist for the Secretariat and welcomed Mr. Alejandro Plastina as new economist.

He said that the Secretariat has developed a new statistical model of international cotton prices. He noted that Chinese official statistics need to be revised.

The Executive Director congratulated the International Forum for Cotton Promotion (IFCP) for its work contributing to demand enhancement.

He expressed his satisfaction in the fact that membership of the ICAC is up to 44 countries. He noted that the ICAC has received official invitations from several countries to host future Plenary Meetings. He said it has been a pleasure to work with representatives of the Government of Turkey and the Organizing Committee to prepare for the 66th Plenary Meeting. He acknowledged the good work of all the members of the Secretariat and of the interpreters. He thanked the members of the PSAP and the representative of the ICAC to the United Nations Commission on International Trade Law (UNCITRAL), Mr. Neil Gillen, for their valuable contribution to the health of the cotton industry. He acknowledged the work of the Standing Committee and its officers and of the Subcommittee on Budget.

He concluded in saying that it was an honor to serve as executive director.

The CHAIR thanked Dr. Townsend for his report.

The CHAIR introduced Mr. Ziya Altunyaldiz, Chair of the Organizing Committee to give an overview of the Agenda of the 66th Plenary Meeting. Mr. Altunyaldiz expressed his gratitude to all those who made this Plenary Meeting possible. He thanked the executive director of the ICAC and his team, the Chairman of the Textile Exporters Union and all the members of the Organizing Committee, the authorities of Izmir and the sponsors.

He said that all participants will benefit from sharing their experience and knowledge during this Plenary Meeting. He highlighted the major topics on the Agenda as well as the social and cultural events. He encouraged

participants to attend all sessions and to take the opportunity of their stay to explore the city and region of Izmir. He concluded in wishing all a very successful meeting.

The CHAIR thanked the Chair of the Organizing Committee for the overview.

The CHAIR gave the floor to the delegate of Argentina who requested clarification about the wording of a paragraph in the report of the Executive Director stating that: "The international community must not allow inefficiencies in Africa to serve as an excuse for distortions elsewhere". The delegate observed that there are inefficiencies in other countries, including those that subsidize cotton production. He asked that such a clarification should appear in the statement of the Plenary Meeting.

The CHAIR thanked the delegate of Argentina for his comment and assured him that the topic would be addressed during the 1st Plenary Session.

The CHAIR noted that the proposed agenda for the Plenary Meeting had been approved by the Standing Committee. She asked if there were any amendments to the agenda and, seeing none, declared that the proposed agenda was approved.

The CHAIR invited the United Kingdom, host of the 64th Plenary Meeting, to deliver welcoming remarks on behalf of all delegates. Mr. Ray Butler of UK congratulated the Government of Turkey for inviting the ICAC to hold its Plenary Meeting for the third time. He thanked the organizing committee for its meticulous attention in looking after the welfare of the participants. He noted that Turkey is well placed to exploit its easy access to supplies of cotton and its proximity to major consuming markets, from its focus on high value-added products and its ability to quickly respond to market changes. He said that Turkey will allow participants to see all aspects of the industry and, at the same time, learn about the history of civilization whilst enjoying a friendly welcome. On behalf of all delegates, he expressed deepest sincere thanks to the Government and people of Turkey, to the organizers and the sponsors of the meeting for their hospitality and wished the meeting continued success.

The CHAIR thanked the delegate of the UK for his kind remarks. Seeing no additional business, the Inaugural Session of the 66th Plenary Meeting was adjourned at 10:45 AM.