



Private Sector Advisory Panel Report to the 64th Plenary Meeting

Thank you Mr. chairman, distinguished delegates, honored guests and observers it is my pleasure to report on the activities of the Private Sector Advisory Panel (PSAP). The 11th Meeting of the PSAP was held on Sunday, September 25, 2005 here in Liverpool, UK at the start of the 64th Plenary Meeting. In attendance were 14 representatives of the private sector from Australia, Brazil, China (Taiwan), India, Italy, Philippines, Turkey, UK, USA and Zimbabwe, along with the executive director and the economist from the secretariat.

Christine Campbell has stepped down as chair of the PSAP and the panel chose me to serve as the Chair through the 65th plenary meeting.

The executive director presented the PSAP with a draft of a strategic plan for the ICAC.

The plan identified five challenges facing the cotton industry, including:

- The development of sustainable cotton production systems,
- The need to increase demand for cotton,
- The need to encourage instrument testing of cotton,
- Government measures that distort production and trade, and
- The need to promote good trade practices and contract sanctity

In addition, the executive director identified two institutional challenges, including:

- Declining membership and
- The membership of China (Mainland)

The PSAP reviewed the draft strategic plan and suggested amendments and clarifications to the objectives, strategies, intermediate goals, performance indicators and potential collaborators for each of the seven challenges. After review, the strategic plan was endorsed by the PSAP.

Mr. Chairman I would now like to highlight some important portions of that strategic plan.

Sustainable Production Systems

The PSAP agrees with the need to encourage universal implementation of sustainable production systems and endorses the identification and implementation of best management practices that result in sustainable production of cotton. The PSAP encourages the attainment of the Intermediate Goal of establishing BMP programs in at least two producing regions within three years.

Demand Enhancement

The PSAP supports the work of the International Forum for Cotton Promotion (IFCP) to increase consumption of cotton at the retail level.

Specific Strategies suggested by the executive director and endorsed by the PSAP include:

- Member governments of the ICAC will be asked to specifically endorse increased consumption of cotton as a legitimate policy goal.
- Member governments will be asked to adopt fiber-content labeling requirements.
- Member governments will enact legislation supportive of efforts by the private sector to raise funds through industry organizations to finance research and promotion efforts.

An Intermediate Goal would be the establishment of one demand enhancement program in a producing country by 2006.

Instrument Testing

The PSAP endorses the work of the Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC), as instrument testing of cotton contributes to increased demand by improving the competitiveness of cotton relative to polyester.

Strategies:

- The Secretariat will facilitate the work of the CSITC.
- The Secretariat will work with other international organizations to circulate information to all cotton sectors regarding the work of the CSITC.
- The Secretariat will collaborate with other international organizations to ensure that projects to expand instrument-testing capabilities in developing countries are consistent with the activities of the CSITC.

Intermediate Goal:

- Instrument testing of cotton within a standardized international system developed by the CSITC will be implemented at the producer level for 50% of world cotton production by 2008, up from approximately one-third at present.

Distortions to production and trade caused by government measures in cotton

The PSAP supports the strategic Objective of:

- ICAC support for a successful outcome to negotiations in the Doha Round that will result in the elimination of export subsidies, improved market access for agricultural trade and reductions and eventual elimination of forms of domestic support that distort production and trade.

Strategies actions to accomplish this objective are:

- The Secretariat will continue to provide independent and objective information on the size and nature of government measures affecting cotton production and trade.
- The Secretariat will estimate the impacts of these government measures on cotton prices.

Contract sanctity and continuing difficulties with contract defaults

A central function of governments is to provide for the rule of law, and the ICAC has endorsed the concepts of contract fulfillment and compliance with valid arbitral awards. Contract defaults impose costs on the entire cotton chain and make cotton less competitive.

Objectives:

- The ICAC will insist on adherence to good trade practices by all members of the cotton trade.

Strategies:

- Member governments will continue to endorse the principles underlying good trade practices.
- The Secretariat will publicize the negative impacts of contract defaults on world cotton trade.
- The Secretariat will provide information about efforts to harmonize trading rules.
- The Secretariat will participate in efforts to educate all segments of the cotton industry about the need for contract compliance.
- The Secretariat will work with the ITMF and other organizations to analyze the structure, conduct and performance of both the cotton and cotton yarn industries to aid in understanding the problem of defaults on cotton contracts.
- The ICAC might work with ITMF and the ICA to develop a model contract for trade in cotton yarn based on the ICA contract for trade in cotton.

Performance Indicators:

- A long-term reduction in the number of technical arbitrations submitted to recognized arbitral bodies.

Member associations of the Committee for International Co-operation between Cotton Associations (CICCA), United Nations Commission on International Trade Law UNCITRAL, ICA, ITMF.

Regarding the two Institutional Challenges Facing the ICAC

Declining membership

The viability of the ICAC as an institution is not at risk, but declining membership is a concern of the PSAP, thus, the PSAP endorses the Objective of an increase in membership by 10% to 44 governments within 5 years and the Intermediate Goal of Reactivation of the membership of Japan and Mexico.

Membership of China (Mainland)

- The PSAP recognizes the special significance to the ICAC of China (Mainland)'s potential membership.
- Strategies endorsed by the PSAP that might move toward ICAC membership of China (Mainland) include:
 - The Secretariat will maintain contacts with cotton industry officials in China (Mainland).
 - Member governments of the ICAC will buttress Secretariat efforts at communication with China (Mainland) through government-to-government contacts.
 - The Secretariat will invite individual representatives of producers and spinners in China (Mainland) to participate in ICAC meetings.
 - Members of the private sector will encourage business associates and counterparts in China to endorse the membership of China in the ICAC.

The PSAP set the place and date of our next meeting in Bremen in March of 2006

Mr. Chairman, I would like to thank the members of the committee for their attention to the report of the PSAP, and respectfully urge the Standing Committee to adopt the Strategic Plan for the ICAC.

Submitted to the Advisory Committee
September 27, 2005
Liverpool, UK

John Mitchell, Chair
Liverpool
September 27, 2005

Members and Representatives of the Private Sector present:

John Mitchell, Vice President, Cargill Cotton, U.S.
João Luiz Ribas Pessa, President of the Mato Grosso Cotton Growers Association, Brazil,
Heng Yi (David) Tu, President, Wan Yuan Textiles Co., Taiwan,
Romano Bonadei, President, Filartex S.p.A. Italy,
Isidor Gilan, President, Primatex Fibre Corporation, Philippines,
Sebahattin Gazanfer, General Manager, Taris Union of Cotton Sales Cooperatives, Turkey,
Ray Butler, Chief Editor, Cotlook, Ltd., UK
Andrew Macdonald, Retired Director of Santista Textil, S.A., Brazil,
Robert Weil, Chairman, Weil Brothers – Cotton, Inc., U.S.,
Neal Gillen, Executive Vice President and General Counsel, ACSA, U.S.,
Dhiren Sheth, Director, C.A. Galiakotwala & Co. LTD., India,
Allen Terhaar, Executive Director, CCI, U.S.,
Trevor Wick, Director, The Cotton Company of Zimbabwe,
Philip Russell, CEO, Cotton Australia.