

Mr. Chairman, Excellencies, Ladies and Gentlemen,

I am sorry to break up a coffee break during the World Coffee Conference because actually I would like to propose that we institutionalise mandatory coffee breaks so that people can consume more coffee. Let me say, first of all, how delighted and honoured I am to be here with colleagues from all over the world who share an interest in promoting the cause of coffee, which is the most important of all agricultural commodities. I have been assigned to present the viewpoint of Asia on agriculture and coffee, so that together we can determine the kind of joint projects, measures and activities that can be carried out in the name of the International Coffee Organization, in order to bring to the world's coffee growers the benefits they deserve. I have always said that when I look at coffee I also look at wine. Why should we not improve the income of coffee growers to be more comparable to that of wine growers, or at least closer to that level. We are doing similar things: we have different classifications of coffee just as we have classifications of wines, we have different vintages, specialities, brand names, geographical names, blends. Why should we not together try to achieve the objective of raising the earnings of coffee growers to match those in the wine industry? But I shall begin by making some brief comments on agricultural development in Asia.

There are five points I would like to emphasize which are closely linked to what we are trying to consider in developing the marketing of coffee and its standard and quality. The first problem we are facing in Asia is that, with the use of modern technology in the farm sector, involving fertiliser use, new crops, new breeds and new seeds, Asian farmers have become so efficient in their production that almost all crops are being produced in excess and cannot be absorbed by the national domestic market. We are becoming increasingly dependent on world trade because of this excess production and the high prices of most of our crops. The second problem is that we have emerging economies in Asia which are becoming major players in the agricultural sector. India, which used to have food deficits, and is now producing agricultural products in excess of its domestic requirements, is now exporting a large volume of grain. China also exports some of its agricultural products. Vietnam and Indonesia are competing in the world agricultural market. More Asian countries have, therefore, entered the world agricultural commodity market. Problem number three is that because of the prolonged depression in world agricultural prices, countries in Asia, Africa and Latin America have been facing low prices in the agricultural sector in the last three to five years. Farmers in Asia are hard pressed to keep diversifying their products. At first,

they used to produce rice. Now they have to produce corn, rubber, tapioca and coffee. This means that farmers in Asia are now producing crops that farmers in other countries have also been producing. In Thailand, for example, we did not produce much coffee but now, because of the low prices of rubber, rubber producers are switching to coffee. Asia is, therefore, becoming competitive in these products. Fourthly, and this is a very important point, excessive subsidies are being created in a number of countries. In the 15 or 16 OECD countries, farm subsidies amount to some US\$300,060 billion per year. The total export annual earnings from farm products produced by OPEC countries amounts to only US\$170 billion, which is less than half the total of farm subsidies provided by the richer OECD countries. I would say that this is a bit unfair and is something that needs to be dealt with in the new round of trade negotiations under the World Trade Organization.

My last point on agricultural development in Asia is that because of low farm prices we are working towards developing more food processing. I am sure that this is also being done in Africa and Latin America. Low farm prices mean that agricultural products must be processed to enhance the value added. What happens in the world trade scene is that some of the more advanced countries have so-called tariff peaks and tariff escalations. These escalations are applied mainly to processed agricultural products for which there is a higher level of tariffs. The higher tariffs, so-called tariff escalations in the richer countries have been a major factor affecting greater investment in the processing of agricultural products in developing countries. These are the five major problems we have to contend with in Asia and I think that many of them are the same for other continents.

The situation of coffee in Asia is very much that of other agricultural products. There are geographical areas in Asia where coffee can be grown quite efficiently and countries in Asia which have suffered from the low prices of farm products needed to shift from their traditional products into coffee. Since coffee prices were quite favourable in the past, there has been huge investment in coffee and a large acreage was planted. As a result, Asia is becoming a major coffee producer, particularly of Robusta. There has been a phenomenal expansion of coffee planting and production in Vietnam, India, Indonesia and, to a lesser extent, in Thailand. Without international agreement and international cooperation to cushion the impact of excessive supply, the decline in world coffee prices will create a very difficult situation indeed. We need to have more contact, greater international cooperation to enable us to determine how we can manage sustainable coffee growing in such a way that we

do not destroy our markets. The predictions of FAO and various international institutions are that there will be an excess of supply over demand until the year 2005. This means three or four more years of excessive supply totalling more than 10 million bags of coffee a year. This is clearly an issue we need to tackle.

I wish to turn now to the way we are seeking to solve the difficult situation of current world coffee supply. These are the issues that we are dealing with here and I am sure that we will have to discuss them in further detail. There are three major issues: firstly, how can we limit supply; secondly, how can we increase demand; thirdly, how can we upgrade the quality of the product? With regard to the limiting of supply, I think that there are two things that need more attention and a more serious tackling of the issue to achieve some results. The first is the so-called retention plan of the ACPC, which is attempting to create stocks in producing countries with excess production so that stocks in the hands of the major processors, or so-called consumer stocks, can be reduced. Analyses have shown that lower consumer stocks mean better prices of coffee. There is a need, therefore, for major producers to retain stocks. According to my own information, however, there is no serious legitimate body under joint producer guidance that can oversee or supervise the retention scheme. I feel that, if the retention scheme is left to voluntary participation, there will be a lack of discipline and I would suggest that we need to have a permanent institution, a body that could have an overview and exercise supervision of this retention plan. I am sure that such a plan would make a considerable difference. Countries like Brazil have fully embarked on the retention plan, but the level of export expansion indicates that other countries are not joining and the retention plan has not really materialised. In the second place, we need to be more systematic, more scientific in relation to how to divert low-quality coffee to other uses, for example fertilizers, animal feed and fuel. We need to do more research on the diversion of low-quality coffee in these areas and the consequent reduction of supplies in the market. Ultimately, I think that we need to enforce minimum export standards so that low-quality coffee can be diverted from export. With regard to an increase in demand, I note that we have been working on various projects to educate consumers, we have organised some coffee festivals, briefings for the media, joint projects with distributors and the marketing networks of the world coffee chain. I think this is the kind of work we should continue. In the case of Asia, the emerging economies of Indochina and China are increasing their consumption of coffee. In China income per head is increasing and the country has great potential for growth. If this can be maintained and if China manages to gain entry into the WTO it will

have the potential to consume more coffee. This is also true for other new economies like that of Vietnam. If we can provide more information and do more marketing promotion, we can succeed in improving our markets in Asia.

My last point relates to the crucial issue of the upgrading of coffee production to improve quality. Various efforts have been made in the past and the new International Coffee Agreement emphasizes this important objective, encouraging Members to develop a sustainable coffee economy. This is a crucial matter that should be discussed during this Conference. Developing a sustainable economy means that we must encourage technologies that can promote efficiency, productivity and preservation of the environment. We must guarantee economic returns for producers while ensuring a good quality of coffee for consumers. I have been informed that various organisations are involved in these efforts. The United Nations Environment Programme (UNEP), the International Trade Centre under the UNCTAD and the WTO have been carrying out a series of study programmes and projects aimed at enhancing the quality of coffee and working with some of the world's major distributors. I think that an organization like the International Trade Centre, which has been working very well with the business sector around the world in cooperation with the UNCTAD and the World Trade Organization, will be able to provide more support for work on coffee projects. The ITC has done two things which have proved very effective. It organised the so-called Internet Coffee Auction some months ago. This may have been on a small scale but it has helped to eliminate some brokers and intermediaries and so enhance coffee prices. The coffees involved must have a high standard of quality. I foresee that if we can structure the Internet Coffee Auction in the right way we might have another means of promoting global participation in the coffee market. Secondly, I know that the ITC has been working closely with the Specialty Coffee Association of America and the All Japan Coffee Association. These associations work on enhancing the best premium types of coffee and if we can work closely with them we can bring premium coffee to market at prices that have the same type of differentiation as in the wine market. We must enhance the quality and the price differential so that the coffee growers will be motivated to grow less low-quality coffee and move into high quality products. As Director General Designate of the WTO when I take office in September 2002 I hope to be able to work with the UNCTAD and with all the coffee growing nations to improve the world coffee trade as much as we can.

Thank you very much for your attention.