

**“THE ROLE OF ACSA
IN
ENCOURAGING GOOD TRADING PRACTICES”**

**Remarks
of
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It is indeed a privilege to be with you here in Gdansk. I thank our Polish hosts for making us feel welcome in this splendid and historic city. Gdansk reflects the strong values of the Polish people and their commitment to freedom. It also tells the story of commerce and trade in this strategically important region of Europe. A city, a state, or an industry built on free trade has as the core of its foundation the principle of contract sanctity. That is essential for all of us in the international cotton industry.

Contract Sanctity

The members of the American Cotton Shippers Association (ACSA) are responsible for a substantial portion of the world’s cotton trade. Therefore, ACSA is fully committed to the principle of sanctity of contracts and the adherence by our members to this essential element of trade, be it within or without our national boundaries. Through such a commitment, our customers can make use of forward contracts and secure the necessary financing to plant their crop or price the sale of their yarn and/or fabric. Lacking this commitment our producer, mill, and merchant customers are left to the vagaries of a hostile and capricious marketplace usually in the role of a price taker - not as a price maker.

We have come to Gdansk from all over the world, to renew and reinvigorate our efforts to strengthen the concept of contract sanctity. Our doing so is a tribute to that commitment. It speaks volumes about the traditions and the ethos of this industry that each of us, and our respective organizations, all engaged in fierce competition against one another, have made substantial commitments over the years to protect the integrity of our marketplace.

Role of ACSA Encouraging Good Trade Practices

ACSA is constantly reviewing and updating our Bylaws and Special Rules to comply with contract sanctity. In recent years, we changed our Bylaws and Rules to require that all members must agree to arbitrate both with members and non-members, whether or not the contract requires arbitration. To facilitate national arbitrations we adopted ACSA Arbitration Rules, which have been upheld in the U.S. Federal Courts and in the judicial system of Singapore. Further, we drafted our arbitration rules to require non-members to arbitrate if their contracts stipulated ACSA Arbitration or ACSA Special Rules in their contracts and we have successfully enforced that requirement in an arbitration between non-members. This past year we amended our arbitration rules to preclude ACSA members or non-members from using our arbitration procedures if the dispute involved an individual determined to be in default of a contract, arbitration or court award by a CICC member organization. More importantly, we amended our Special Rules this past year to authorize our Rules Bylaws & Fair Practices Committee to sanction or deny membership privileges to ACSA Members dealing with parties judged to be in default by CICC member organizations.

ACSA staff accepts complaints from non-members and investigates any and all complaints against our members. We endeavor to have the parties reach amicable settlements and if that is not possible, the dispute in question may be referred to our Rules, Bylaws & Fair Practices Committee to determine whether our member is abiding by the terms and conditions of his or her contract. If the Committee determines our Special Rules have been violated or the member has breached the contract, monetary penalties will be imposed and/or the member will be subject to expulsion.

Our Bylaws, Special Rules, and Arbitration Rules are published on our internet site, **www.ACSA-cotton.org**, along with the names of our members who agree as a condition of membership to comply with these stringent requirements. We also provide staffing and a home for the American Cotton Exporters Association and the World Cotton Exporters Association. We investigate complaints submitted by members against mills and merchants allegedly in default of their contracts or arbitration awards and publish the lists of parties in default of both the ACEA and the WCEA. These are also listed on ACSA's internet site.

At their annual meetings this year the ACEA and WCEA adopted the language from ACSA's Special Rules for the sanctioning of members who knowingly or willfully interfere with the resolution of existing contract disputes by dealing with a party listed in default by a CICC member organization. All of these rule changes apply to direct sales or indirect sales to a subsidiary or affiliate company or through a sales agent.

We are closing all of the loopholes within these organizational structures to prevent a treacherous minority of traders from having it both ways because we believe it is important that our members comply with their contractual obligations and that they acknowledge the contractual rights of their competitors by not interfering with such rights by dealing with parties in default.

CICCA's Role

ACSA's credo is also shared by the other member organizations of CICCA. CICCA began the 21st millennium by reaching out to expand its membership and by embarking on a new journey to expand the scope of its activities through a broad based educational effort to foster contract sanctity. It is essential that we succeed, for it is vital to the maintenance of good trading practices, the preservation of sound trading rules, the amicable resolution of disputes, and compliance with arbitration awards.

It is of paramount importance that CICCA and each of its member organizations be proactive forces in insisting that member organizations have in place a system of rules and an educational program for contract compliance. It is essential that each CICCA member develop a strategic plan to establish and implement such programs and that each year the members report on their experience or progress. The LCA and ACSA have taken bold steps forward to discipline their respective members who stray from total adherence to the principle of contract sanctity. It is a concept critical to the economic survival of every cotton producing and consuming nation. We urge everyone to take similar action.

Lacking Contract Performance Producers & Mills Cannot Function

I will conclude my remarks by repeating the words of the esteemed Shinji "Bill" Matsumo, the former Chairman of Toyo Cotton Company and the Past President of the Japan Cotton Traders Association, to the 53rd ICAC Plenary Meeting in Recife, Brazil in 1994. Bill's remarks will stand the test of time in pointing out the importance of contract sanctity to all segments of our great industry:

"We must all remember that cotton is the fundamental material on which the world cotton textile industry is founded upon, and that the very existence of cotton itself is dependent on it being accepted as the basic raw material on which the textile industry can continuously function. It is evident that in cotton, as with any other basic raw material, the dependability of supply is of essence. If the consumers cannot receive the cotton contracted for, the very essence of cotton is therefore breached, and there would be no way to discourage the users to shift to the use of synthetic fibers ... On the other hand, the production of cotton, more than any other basic material, is a costly and risky process, and if the producers,

who are already subjected to the various whims of the elements and to the frequent price fluctuations of the cotton market, are further faced with the possibilities of non-performance of the contracts sold, it would only encourage them to abandon cultivation of cotton and shift to production of more stable crops ... The international traders, too, who are the catalyst in the international cotton market, fulfilling the requirements of the producers and the users alike by providing markets for them to sell or purchase cotton whenever they wish, are the victims of any disruption in the orderly functioning of the international cotton market, and have, in many cases, forced to shoulder a big portion of whatever extra costs are incurred to restore the normal functioning of the market, which role the traders would no longer be willing to play as the costs involved are too great to bear.”

ACSA looks forward to the challenge and the opportunity of working with the cotton organizations of the world to enhance the role of CICC and strengthen our commitment to the essential principle of trade, contract sanctity.

Thank you.