

Foreign Affairs Committee
Adopted at the ACSA 94th Annual Convention
May 11, 2018 – Four Seasons, Austin, TX

1. We strongly recommend members support ACSA and other industry organizations to continue their vigilance and take any action necessary to preempt contract defaults. We commend the rapid response by the International Cotton Association, ACME, ACEA, and WCEA in addressing threats to sanctity of contracts. We also encourage the WCEA, ACEA, and CICC to continue the effective practice of issuing default lists to warn fellow exporters of buyers in default. We urge members to consult these lists so that sanctity of contracts can be preserved. We also urge members of ACSA and its affiliates of their obligation as members to honor the rules and regulations of each respective organization and that selling to parties and their affiliates who are in default, jeopardizes the ability of parties to resolve outstanding contract disputes.
2. We request ACSA & CCA to urge the Chinese Strategic Reserve to affirm their respect of the ACEA, WCEA & ICA Default lists when selling cotton.
3. We urge ACSA to continue its dialogue with the U.S. Trade Representative (USTR) to keep them apprised of countries (and buyers) where default situations have occurred and local enforcement of arbitration awards has not been effective. We also urge congress to maintain USTR as a separate government agency as it presently exists.
4. If ACEA/WCEA decide to publish a sales catalogue as a tool to promote contract sanctity, we urge ACSA members to provide appropriate sales information on a timely basis provided confidentiality is guaranteed.
5. We urge continuing efforts by CI/CCI/Supima to deny licenses and technical services to any foreign mill listed on any of the default lists, and applaud their work in assuring this policy continues.
6. Continue to have open communications with the ICA board on recommendations made by ACSA in 2016 and recently approved by the ICA board regarding appeal deposits. We also commend ICA rule changes to make the arbitration process a more timely process.

TRADE RULES & TERMS

7. Green Card Sales - We recommend that members include a clause in all Green Card sales contracts stating "Quality is final in accordance with USDA classification". However, we remind all members that, Green Card Sales to China are still subject to CIQ inspection for weights.
8. We urge ACSA to continue to actively monitor developments in China's attempts to require testing for short fiber content and neps, and to work actively with the NCC and other organizations to prevent the implementation of such testing as a detriment to trade.

9. We commend USDA/APHIS/PPQ-on their completion of the formulation of an electronic signature system for the issuance of phyto-sanitary certificates.
10. We request USDA/APHIS/PPQ work with their respective foreign partners to standardize dates, weights and wording in the preparation of the phyto-sanitary certificates for US cotton.
11. We remind ACSA members that not all letters of credit are opened immediately on sight. The opening bank, depending on country, may have a 5 to 10 days delay period to open the letter of credit.

12. **TRADE FLOW AND CONTAMINATION**

- a) Support NCC policy of “provision to increase cotton flow”.
- b) Urge NCC/ACSA to increase efforts to reduce contamination on US cotton.
- c) Urge members to report any incidents on contamination on the NCC website, reporting PBI and work to develop such technology with NCC and AMS.

13. **CONTROLLING**

We urge members to insist that buyers provide detailed bale listings when lodging short-bale claims. Failure to provide such listings should disallow all claims for short-landed bales.

14. ICA Rule no. 217 reads as follows: “All cotton must be weighed ‘gross weight’ on a bale by bale basis unless otherwise agreed. The tare is to be deducted from the gross weight.” We have noticed that the number of requests for truck scale has been steadily increasing and we recommend that ACSA members use a written conditional agreement similar to the example, if truck scale weighing is agreed upon.

Written Conditional Agreement Example

If weighbridge weighing is agreed, weights must be ascertained within 14 days (2 weeks) of the date of arrival. Upon completion of weighing, results must be reported to buyers and sellers within 5 working days. Should results prove unacceptable to either buyers or sellers, each party reserves the right to a 100% bale by bale re-weigh. If a bale-by-bale reweigh is decided by either party, it's to be advised to the other party within 5 working days of the notification of the weighbridge results. In the event that buyer declines bale-by-bale re-weigh, seller reserves the right to declare invoice weights as final. In the event that a bale-by-bale re- weigh is conducted, weighing period reverts to 28 days (4 weeks) from the date of arrival. The results of the 100% bale-by-bale re-weigh are to be considered final. Any bales consumed prior to 100% bale-by-bale re- weigh are to be included per ICA Rule 218, paragraph 2. If cotton has already been sampled, a weight allowance must be included for the samples drawn. Cost of re-weighing will be for the buyer.

COTTON COUNCIL INTERNATIONAL

15. We recommend ACSA continue its financial and program support of Cotton Council International in an effort to enhance the sales of U.S. cotton, and continue a yearly review of ACSA's financial commitments.
16. We strongly urge that CCI continue to closely monitor all recognized associations' default lists and consult immediately with ACSA concerning any mills that may appear on such list and are being considered for trade team participation sponsored by CCI.
17. We urge the continuation of open communications with Cotton Incorporated and Cotton Council International to insure that information provided to foreign buyers is Consistent with the customs and practices of US exporters and that they refrain from making recommendations that could possibly contradict the contract terms agreed upon by buyer and seller. We specifically recommend that CCI advise foreign buyers/ sellers, of their legal rights to sell on type and/or to sell on universal description against the arbitration clause specified in their contracts and to further communications with Cotton Inc. in reference to their EFS Program and use of such programs by the membership of ACSA in selling U.S. cotton to export markets.
18. We recommend that ACSA work with NCC to eliminate import tariffs and all non-tariff barriers on American cotton exports.

GSM & PL-480 PROGRAMS

19. We urge the USDA on continuing to maintain these programs to those countries that need assistance in purchasing US cotton, especially during periods of available surplus. These programs are instrumental in maintaining uninterrupted shipments of US cotton to our important export customers. We continue to urge that USDA/FAS simplify documentation procedures and requirements and to keep costs reasonable for buyers, and to maintain current tenure levels.

INTERNATIONAL ORGANIZATIONS

20. It is recommended that CICCA should educate markets concerning fair trade practices, contract sanctity, and the amicable resolution of commercial disputes, and compliance with arbitration awards. The role of CICCA in the international market place should be, as it was originally organized, to act or react as a central body to provide a united voice to be heard by government entities in the case of widespread contract defaults on matters of importance to the trade as a whole.
21. We urge that ACSA maintain open communications with the ICA Rules Committee concerning its evolving re-examination or amending of various trading

rules, so that ACSA may be allowed to provide input to this committee through ACSA members who serve on such.

22. We urge the ACSA /AMCOT China Committee to continue their discussions and work with the China Cotton Association in an effort to bring the ACSA/AMCOT/CCA trade rules and contract closer to conforming with international contracts and terms utilized by other major buyers and sellers from around the world. It is also recommended that any changes that should occur to the CCA contract and terms be distributed to the membership so all parties are fully aware of such.
23. We strongly urge ACSA maintain an open dialogue with ICA in the review and implementation process of any and all changes to the rules and contract(s) pertaining to China.
24. We urge the continues monitoring of the AQSIQ import registration system and furthermore encourage and support the continuing dialog between the ACSA/AMCOT/China Committee/USDA AMS and AQSIQ, in working towards the establishment of a “Designated Testing Cotton Lab” for quality appeals.

TRADE ISSUES

25. We urge ACSA/AMCOT/NCC to monitor the new bale packaging regulations set forward by AQSIQ in 2014 that have yet to be implemented. It is urged that NCC continue holding educational meetings arranged by CCA for the *appropriate Chinese authorities to further clarify and explain the U.S. Joint Cotton Industry Bale Packaging Committee’s function and how bale packaging decisions are made at the gin level in the U.S. and that direct dialog continue with CCA on this important matter.*
26. We urge ACSA/AMCOT/NCC to monitor direct Chinese cotton subsidies to growers of over 40 cent/lb. and the potential export of Chinese raw cotton in violation of WTO rules.

Respectfully submitted,
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