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A United Front

The ICA brain trust is focused on collaboration, enforcement, and streamlining arbitrations



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ICA managing director



Ahmed Elbosaty
Modern Nile



Mohit Shah
Gill & Co.

The India Report | The New Crop in Greece | ITMF: A Look Back



Business Intelligence, Safe Trading Are Focus for ICA Leaders



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The International Cotton Association (ICA) has a 170-year history, boasts the most famous event on the cotton calendar each year, and regularly interacts with government bodies at the highest level, all over the world.

But even with such an illustrious history, ICA has become more important than ever over the last few years. While ICA would prefer not to have to be as active and visible as it is – there would be no contract defaults, in a perfect world – the extreme volatility and rash of defaults over the last five years have kept cotton's leading arbitral body front and center.

With the annual ICA trade event rapidly approaching, and several major new business initiatives in the early stages of implementation, it's an ideal time to get a peek inside the collective ICA brain trust: the current president, Ahmed Elbosaty of Modern Nile in Egypt; the incoming president, Mohit Shah of India's Gill & Co., and managing director, Kai Hughes.

In this exclusive interview, the group answered *Cotton International's* questions collaboratively, with each addressing one topic specific to his current role.

ICA membership is up 15% in the last year alone, demonstrating the importance of the role it plays in contract sanctity. While no one wants to see defaults increasing, do extremely volatile periods like those we've seen over the last few years serve as a reminder to the supply chain of how important it is to do business only with reputable companies?



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The events of the last few years have highlighted how doing business in the cotton world has changed. The importance of building and maintaining relationships appears to have diminished and the ICA is trying to encourage this once again through its membership. Ultimately, we want ICA members to trade with other ICA members, but to do this we need to have enough members of the right 'caliber' joining the ICA. It is not just about numbers, but also about ensuring that new members are reputable and will uphold our values.

ICA launched several major new initiatives last year, including the Business Intelligence Team (BIT) and Safe Trading Zone (STZ). What impact have those two projects had on the cotton supply chain so far? How do you see them developing in the coming years?

It is still early, but there is evidence that the use of the BIT to investigate reports of firms trading with defaulters and uncover firms affiliated with defaulters is working. In the past, we were always a few steps behind when a

defaulter started a new firm, but now we are just one step away. The gap is closing and the spotlight is definitely on firms that are using 'dishonorable' trading practices. They risk serious damage to their reputation and industry standing, and because ICA members cannot trade with them,

What are your goals as the incoming ICA President? How did you prepare for this responsibility, and will you rely on Ahmed and other past presidents for advice and insight into the role?

At the outset, I feel very privileged and honored to be the incoming president.

The role comes with a high level of responsibilities and expectations.

The ICA has a dynamic board and I am looking forward to working closely with them to ensure that the

ICA's future goals and planned initiatives remain on target during my tenure.

I will endeavor to forge and strengthen relations with other associations. For example, I believe there is enormous potential to have strong ties between the ICA and associations in India for the future. Another area I would like to focus on is enforcement of awards because there is lot of work to be done in this area.

Lastly, as the next president and for all future presidents, we must ensure that no ICA member is trading with defaulters. To me, this is paramount.

With so many areas to work on, I know I will have a full plate. I feel the transition so far has been smooth in preparing for these responsibilities. It will be personally exciting and without a doubt, I will count on Ahmed and other past presidents for their invaluable experience and support.



How much does your role as managing director change during the transition from one president to the next?



The managing director's role doesn't change with each new president. The role of the managing director is to be responsible to the board for

the day-to-day running of the ICA and to ensure that progress towards the board's short-, medium- and long-term strategic plans are on track. Continuity of the strategy and implementation of major new initiatives are maintained by having 1st and 2nd vice presidents in place.

they are being forced to do business with less reputable counterparts, increasing their own business risks.

The STZ, meanwhile, makes it a lot quicker and easier for our members to check the trading status of a firm and identify a defaulter, or a firm related to a defaulter. It is also a particularly useful tool when arranging industry conferences and events, helping to ensure that defaulters are not on the guest list.

What was the thought process behind hiring John Gibson as head of arbitration, and what improvements do you expect to realize from his efforts?

In 2012, arbitration requests reached an all-time high and it became obvious that we would need to modernize and work in a different way if we were going to be in good shape to handle hundreds of new arbitrations – and the associated appeals – effectively.

In addition, an increasing amount of emphasis is being placed on enforcement and engaging at the diplomatic and governmental level. This means the managing director is frequently away from the office and unable to give the team the daily support it deserves.

Since John's arrival earlier this year, we have reviewed all of our internal arbitration practices and installed a case management system, which has made our work flow practices more efficient.

We have been able to provide better support to arbitrators, especially our pool of chairmen, and by combining John's legal background with Kai's, we are now in a better

How would you describe your experience as ICA President? Was the experience what you envisioned when you assumed the role?



The post of ICA president comes with an enormous responsibility to its members and the cotton industry at large. The dominance of the ICA in world markets is by no means a coincidence. At the same time, it is not a one-man show, but rather, a collective job. We have some of the best industry minds within the ICA, at the board level and among our membership. Furthermore, the degree of professionalism of the ICA secretariat is rarely found elsewhere.

It has been a real privilege and an honor to serve as ICA president over the past year. Although it can be tiring, challenging, and disappointing at times, the overall experience is rewarding.

Sometimes people criticize the ICA on no solid grounds. I believe this is due to their ignorance or misunderstanding of the ICA bylaws and rules, but I hope that I have been able to alter their views to some extent during my time as president.

We are an organization with the clear goal of creating and preserving a safe trading environment. Our vision is to have one set of rules for the world to trade cotton and eventually have every reputable firm as an ICA member. I have worked hard toward advocating this vision and I am sure that future presidents will do the same.

The constructive engagement of our members has far surpassed my expectations and I am more convinced today that due to its current enthusiasm and spirit, the ICA is here to stay.

position to provide more support to the Technical Appeal Committees.

Going forward, we also want to carry out more statistical analysis to enable us to use the information to inform future ICA policy on arbitration and enforcement.

We are confident that ICA members, especially arbitrators, will have already begun to see some major improvements in the arbitration support and information they receive.

What are ICA's greatest challenges in today's marketplace? How will the association – and the industry as a whole – be better once those challenges are met?

We want the ICA default list to be effective. We want defaulters to feel the pain of being on it and encourage them to pay up or reach a settlement with their counterparty. However, this effect is greatly diminished by firms that continue to trade with defaulters and by a complete lack of support from some national trade associations to deal with defaulters amongst their membership. This encourages a culture of it being acceptable to default and walk away from a contract.

In addition, honorable firms will often try to fulfill a contract at any cost to avoid defaulting, but then they see disreputable firms negotiating settlements at 50% or less of the market difference in order to get off the default list. This does not send out the right message and the problem will prevail until the whole industry comes together to address it and deal with defaulters collectively.

At the moment, there is only one answer if you want to trade safely, and that is the ICA. Over the last 15 years, only a handful of ICA members have been expelled for defaulting on an ICA arbitration award, so the message is simple: If you want to trade safely, join the ICA, trade with ICA members and enhance your own reputation for integrity.

What is the status of the default insurance concept? What hurdles does it need to overcome to become a reality, and how will it work once it does?

The idea of having a default insurance policy is still some way off and is currently being discussed by the ICA Good Trading Practices Committee. If approved, it is likely to be a two-step process.

The first step is to set up a discretionary mutual insurance company to cover the legal costs of enforcing awards. This will ensure that member firms will be able to have affordable access to legal advice and assistance in enforcing awards, no matter their size.

Once there is enough money in the mutual insurance company's 'pot' and there is confidence in the model among ICA members, we can move on to step two, which is extending coverage to include defaults of arbitration awards. ☺