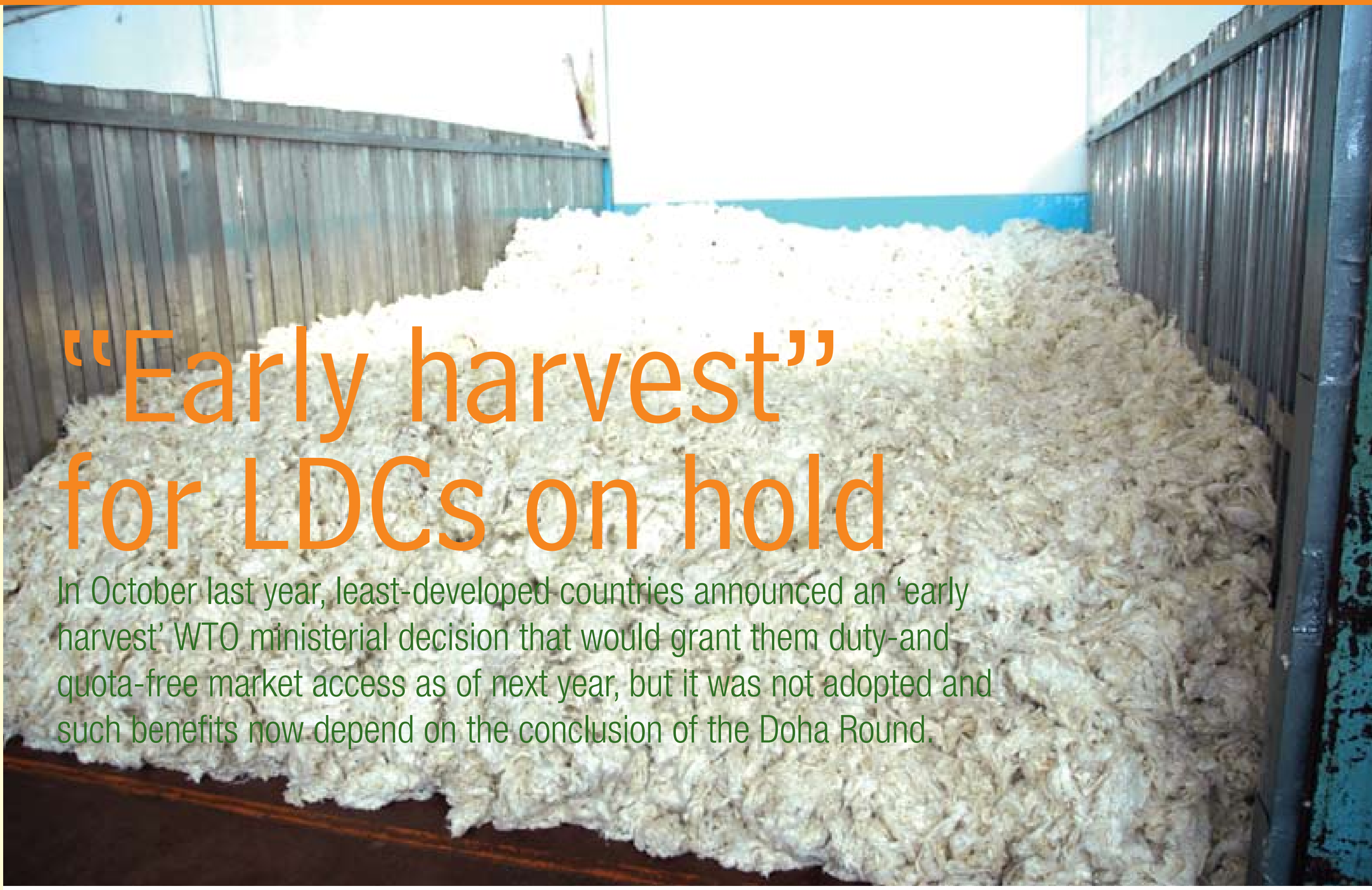
African Cotton & Textiles Industries Federation

ACTIF Newsletter

February 2010



"Early harvest" for LDCs on hold

In October last year, least-developed countries announced an 'early harvest' WTO ministerial decision that would grant them duty-and quota-free market access as of next year, but it was not adopted and such benefits now depend on the conclusion of the Doha Round.

The Dar es Salaam Declaration, adopted by trade ministers of least-developed countries (LDCs) in October, calls for 'quick results' on three core priorities: duty and quota-free market access, preferential treatment for LDC services requests, and an 'ambitious and rapid' elimination of cotton subsidies.

WTO Director-General Pascal Lamy, who attended the meeting, said that there was no 'early harvest' mandate for the Doha Round and predicted that LDCs would have to have to wait until the entire round concludes before they can reap any benefits.

The Early Harvest Proposal

Duty-free and quota-free market access The 2005 Hong Kong Ministerial Declaration committed developed countries to providing duty-free and quota-free market access (DFQF) for all LDC products no later than the start of the Doha Round implementation period. Countries that face difficulties in granting full DFQF at that time must offer it to at least 97 percent of tariff lines and gradually increase coverage thereafter.

LDCs called upon developed countries to grant DFQF to at least 97 percent of their exports by 2010, and to broaden the coverage to all products at the start of the Doha Round implementation period. Developed countries should promptly inform them of the specific tariff lines that would be eligible, as well as establish a product-by-product timeline for granting DFQF to the remaining 3 percent. The issue remains divisive, however, even among LDCs. For instance, Sub-Saharan beneficiaries of the African Growth and Opportunity Act - most are LDCs - are actively lobbying against proposed legislation that would give all least-developed countries full duty- and quota-free access to the US. Some other developing countries also fear that DFQF access to all rich country market for all LDC products would have a negative impact on their exports.

Services: WTO Members have already agreed on 'modalities' for special treatment of LDCs with regard to services trade (WT/S/13), but these lack firm timelines and specific commitments. In Dar es Salaam, LDCs asked for an immediate waiver of the GATS most-favoured-nation provision so that trading partners may offer least-developed countries' services industries and service providers better market access than they do to those from

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Delegates at the cotton to clothing value chain meeting, Mozambique

Private Sector consultative meeting

VALUE CHAIN MEETING

Some of the delegates at the cotton to clothing value chain meeting, Mozambique

Right to lef: Mr. Steve Walls, COP, USAID COMPETE, Mr. Tadesse Haile, Minister of Trade and Industry, Ethiopia, Mr. Kassaye Mekuria, President ETGAMA & Mr. E. Sime, Secretary General ETGAMA during a Capacity building workshop in Ethiopia in November 2009.

Picture courtesy of ETGAMA

Ethiopian Textile and Garment Manufacturers' Association (ETGAMA)

Ethiopian Textile and Garment Manufacturers' Association, ETGAMA is an amalgamation of garment and textile manufacturers in Ethiopia established in the year 2002. With around 50 member factories, it was restructured under the name ETGAMA in September 2007 with a new board consisting of 7 members.

The main objective of ETGAMA is interest representation. It represents technical, marketing and policy interests of its member factories.

Technical Interest

This category of members' interest represents most of the issues related with technical assistance needed in the areas of production process, firm management and leadership. Members obtain training in productivity, quality and personnel management, factory leadership and related technical limitations. Other support includes technical capacity building like assisting in manual preparation. The association facilitates the delivery in collaboration with development partners as well as by looking for new technical and financial support.

Marketing Interest

Though it falls under technical interest, ETGAMA attaches great importance to marketing as the sector is relatively new to the rest of the world and a big marketing effort is needed to turn production practices of factories to profit. The product market, the input market and the labor market are the three areas in which member factories have critical interest.

Under the product market, member factories need to sell their products to the rest of the world and to the local market. To do that, they have to reach the buyers in an organized, bold and cost-effective manner. Trade fairs, exhibitions, bazaars, and related events are some of the most useful tools that the association is using to contact buyers. Trade visits is the other important tool that ETGAMA is using to attract buyers and to gain a practical impression on products and factory practices.

Marketing-related technical support is the other interest of member factories. Preparation of marketing plans, developing good communication skills with customers, preparation of brochures and web sites, preparation of product samples and displays, and other technical aspects that contribute to effective sales activities of member factories are also a major focus of ETGAMA in satisfying interest of its members.

QUICK FACTS: ETHIOPIA

	Year 2008
Population, total (millions)	80.7
Population growth (annual %)	2.6
Surface area (sq. km) (thousands)	1,104.3
GNI per capita, Atlas method (current US$)	280.0

Policy interest

One of ETGAMA's key mandates is to negotiate and lobby for a conducive business environment for member factories. ETGAMA strongly believes that without a conducive business environment, even a strong individual factory would find it hard to succeed. To effectively represent this interest, policy and big sectoral issues need to be communicated to the appropriate body of the Government. Consultative forums, regular and one-time meetings are the basic tools in addressing this interest.

A report compiled by Endalkachew Sime of Ethiopian Textile and Garment Manufacturers' Association (ETGAMA)

UPCOMING ACTIF EVENTS

COTTON TO CLOTHING VALUE CHAIN STAKEHOLDERS WORKSHOPS

VENUE/COUNTRY	DATE
Kaduna/Nigeria	22nd February 2010
Pretoria/South Africa	4th March 2010
Harare/Zimbabwe	9th March 2010
Cairo/Egypt	16th March 2010
Swaziland	29th March 2010
Ghana	July 2010

ACTIF ANNUAL GENERAL MEETING AND OFFICIAL LAUNCH

VENUE/COUNTRY	DATE
ACTIF	27th AND 28th April 2010

OTHER REGIONAL AND INTERNATIONAL MEETINGS

Prime source Forum, Hong Kong, China
- 29TH – 31ST March 2010
- 30th International Cotton Conference, Bremen, Germany
- 24th – 27th March 2010

EITGES
- Ethio-International Textile and Garment Exhibition and Symposium, Nov 24th – 28th, 2010 Courtesy of:

ETGAMA: Ethiopian Textile & Garment Manufacturers Association,
E-TEA: Ethiopian Textile Engineers Association,
ATIS: Afro Textile Industrial Solution /ATIS/
Visit www.eitges.com for more information and registration

- **COMESA Investment Forum**, 12th and 13th April 2010 at Sharm El Sheikh, Egypt

ACTIF Website undergoes a complete makeover

For some time African Cotton Textile Industries Federation (ACTIF) has been operating two websites, www.cottonafrica.com and www.actifafrica.com.

1. www.cottonafrica.com
This website was primary a Business to Business (B2B) link that provided an online platform for traders in the Cotton, Textile and Apparel sectors to exchange trading information and also access a regional Trade Directory with important industry contacts. This website proved to be very popular in the promotion of trade as demonstrated by the volume of postings recorded and the feedback received from users.

2. www.actifafrica.com
This was originally conceptualized to be a corporate website focusing on defining ACTIF, outlining its objectives and also reporting on its activities.

Moving forward:
As part of the branding efforts and in preparation for the much anticipated launch in April this year, ACTIF will be revamping its website under the domain of www.cottonafrica.com. The new website will combine the features of the two previous websites and will among other objectives provide a platform for exchanging information, allow for sharing of regional expertise and promote a regional supply chain.

The domain of **www.actifafrica.com** will still be maintained but automatically routed to the main website www.cottonafrica.com

The B2B platform, that proved very popular with the traders, will be maintained as a prominent feature of the website. It will however be made more interactive and a slight adjustment made to the categories of traders. One of the significant changes in this section will be the use of a single form for trading whereby the trader will indicate whether it is a BUY or SELL posting. This will be a break from the previous system that had two separate forms for the trade postings.

The new website will also be enriched with the ACTIF corporate profile that will clearly articulate its role and objectives. Benefits of membership will also be highlighted and the list of members listed along with their updated contacts.

Currently, the two old websites (www.cottonafrica.com and www.actifafrica.com) are still active and will remain so until they are replaced with the revamped website. The next two issues of the ACTIF monthly newsletter will be used to highlight some of the new features to be expected so as to prepare ACTIF members, existing traders and the general public for a new experience.

Comments and suggestions are still welcome and can be sent to us through our email: info@cottonafrica.com.

"Early harvest" for LDCs on hold

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other WTO Members. Despite the modalities, some disagreement remains among the membership over preferential treatment for LDC service workers, as this is the key gain that many other developing countries are hoping to secure in the services negotiations.

Cotton: This is on the Doha agenda due to four African LDCs' efforts to highlight the devastating consequences that rich country subsidies are having on the world price of cotton. They have claimed that heavily subsidised cotton, particularly from the US, is displacing their exports despite low production costs.

In July 2004, WTO Members agreed that cotton would be addressed 'ambitiously, expeditiously and specifically' within the agriculture negotiations. Since then, virtually nothing has happened. The 'cotton four' - Benin, Burkina Faso, Chad and Mali - have proposed a formula that would phase out domestic support for cotton faster and more ambitiously than subsidies for other agricultural products. The US, which is the main country targeted here, has so far refused to enter into negotiations on numbers and timelines, insisting instead that the issue cannot be settled until a deal has been struck on agriculture as a whole, including on market access.

The Dar es Salaam Declaration requests that an 'ambitious, expeditious and specific' solution to the problem be included in an 'early harvest' agreement, together with a 'safety net' that would assist LDC cotton farmers faced with declining international prices in the wake of the global economic and financial crisis.

Accession: In addition, the ministers requested that LDCs' accession to the WTO be placed on the agenda of the forthcoming ministerial conference.

Other Issues:
The Dar es Salaam Declaration also stated that the Special Safeguard Mechanism (SSM) that will allow developing countries to raise tariffs to ward off import surges of farm products should be more flexible for LDCs, notably by letting them increase import duties beyond their current bound levels. The extent to which SSM tariffs may be raised is among the most controversial elements in the Doha Round agriculture negotiations.

As for the erosion of long-standing trade preferences, LDCs stressed that agreements on agriculture and industrial market access must not affect their export interests. They called for an 'efficient mechanism' that would minimise any negative effects that the 'fullest liberalisation' of trade in tropical products might have on LDC exports. The two main products concerned by the preference erosion versus tropical products debate are bananas and sugar.

LDC ministers also said that their countries should be completely exempt of any commitments to reduce or eliminate tariffs on environmental goods and services, and should be given a 10-year grace period before having to grant patents in this area. Environment-related technology and equipment should be provided to LDCs in grant form, the ministers said.

Source: Bridges Monthly – January 2010.

'Delegates at the COMESA Business Council general private sector meeting held in Nairobi in January 2010'

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Tanzania: Quick Facts

	Year 2008
Population, total (millions)	42.5
Population growth (annual %)	2.9
Surface area (sq. km) (thousands)	947.3
GNI per capita, Atlas method (current US$)	440.0

TEXTILE AND GARMENT INDUSTRY IN TANZANIA

Agriculture remains the mainstay of Tanzanian economy with over 80% of the country's population depending on agriculture for their livelihoods. Overall, agriculture and agricultural products accounts for over 60% of the Tanzanian economy.
The main cash crops on which the economy depends include coffee, sisal, tea, and cotton lint. Depending on the variables one is looking at, cotton lint is ranked second or third place with an average yearly production of 90,000 to 100,000 tons equivalent to 500,000 bales of cotton lint worth approximately Tshs. 132 billion if sold as raw cotton.

The textile industry in Tanzania

The history of the textile industry in Tanzania dates back to the years between 1958 and 1960 when a few private textile and other small garment factories were set up. Following independence in 1961, the development of the textile industry took centre stage because of two main reasons: to create employment in newly independent Tanzania and to create market and generate value addition for the locally grown cotton lint.

The growth of the textile industry gained momentum in the 1970s and 1980s with the formation in 1974 of a statutory body, the National Textile Corporation (TEXCO) by the Government of Tanzania. Its mandate was to handle research & development activities in textile, develop new textile projects where necessary, operate the existing and emerging textile companies owned by the Government and monitor closely the operations of the existing private and public Textile and Garments Industries in the country for purposes of advising the Government on policy changes.

The move by the Government led to great development of the textile industry in the years between 1978 and 1985 contributing approximately 7.5% to 10% to the economy.

> The growth of the textile industry gained momentum in the 1970s and 1980s with the formation in 1974 of a statutory body,

During that period some 20 to 25 textile factories were established with 13 to 15 of them belonging to the Government and managed by TEXCO.

The period also saw increased employment opportunities in the textile industry with 25,000 people being employed in both public and private sector, increased cotton lint consumption through the integrated textile mills estimated to have reached 18,000 tons (100,000 bales) annually and production of fabric mainly khanga, kitenge and bed sheets produced by the sector hitting approximately 250 million tons annually;

From grace to grass

Between 1990 & 1995, most of the textile factories in Tanzania faced an uncertain future with many of them operating below capacity estimated at around 35% to 40%. A number of factors led to this unfortunate situation.

First, the prices of cotton lint increased inexorably caused by a system where prices were pegged to the international market for cotton and sold in forex at USD Cents per Lb. Second, there was under utilization of the machines at public integrated textile mills leading to massive losses.

To cap an already bad situation, stiff competition from cheaply imported khanga and Kitenge from India and Pakistan and the importation of second hand clothing, also know as 'Mitumba', hit the local textile & garments sector like a thunderbolt.

Because of these reasons, together with lack of deliberate policy on cotton pricing and provision of export incentives to protect local industries, the textile industry was severely affected finally leading to the Government's decision to adopt a Privatization Policy in 1992.

New push following Privatization

The new era of textile & garments industry development started in 1995. Most of the privatized companies changed their names and ownership. New investment including replacement of old machines and expansion of the product mix was experienced across the industry. Many of these efforts are still being felt to date.

Challenges faced by the textile sector in Tanzania

Even though the textile industry in Tanzania now is now fully privatised, it is still faced with a number of challenges. Many of the old machines and outdated technologies are yet to be replaced and limited investment is slowing down the rehabilitation process. The industry is also faced with limited market access for the existing products.

Other challenges include power outages, inadequate supply of water, high cost of electricity and water, poor rail and road infrastructure; congestion and slow movement of goods at Dar es Salaam Port, Lack of skilled labour, dumping of second hand clothes, lack of long term credit for investments and low purchasing power in domestic market resulting in people's preference of low quality products like used clothes.

Proposed solutions to the challenges

The Government is stepping up efforts to improve rail and road infrastructure and provide sufficient and reliable power and water. Other proposed solutions include urgent need to increase capital and reduce the cost of credit, government incentives to encourage local entrepreneurs to invest in the sector, enhancement of the domestic market by getting civil departments like armed forces and civil servants to utilize the locally produced cotton products. There is also a need for a sustainable credit system for investment, special incentives for investment in value addition processes and increasing budgetary allocations to the relevant ministry so that it can fulfill its objective to promote investment in the country.

Opportunities

The growing market demand for textile products due to increasing population presents an excellent opportunity for the industry. The preferential markets under duty free and quota free exports to USA through AGOA, EBA, ACP/EU as well as MMTZ arrangement are also of notable interest. Incentives are being given to investors through TIC and EPZA and the industry players are also engaging regional organizations such as ACTIF with a hope of benefiting from increased market access, increased financial access and technical assistance, training opportunities and access to information on recent trends in the Industry.

Extracted from a report presented by Eng. Deodatus Timothy Ndunguru, of the Ministry of Trade in Tanzania presented during a capacity building workshop held in Ethiopia on 18th – 19th November 2009