African Cotton & Textile Industries Federation

ACTIF Newsletter

AGOA AT 10: New strategies for a changing world

JULY 2010

The ninth annual African Growth and Opportunity Act (AGOA) forum will be held early next month in Washington DC.

The forum, under the theme ***"AGOA at 10, New Strategies for a Changing World,"* will** be preceded by the Civil Society Session scheduled for July 29-30. The session is to be attended by members of the AGOA Civil Society Network, a consortium of non-governmental organizations (NGOs), small-to-medium sized business representatives, chambers of commerce and other groups in the United States and Africa that are interested in the successful application of AGOA for the benefit of the US and African peoples.

US Assistant Secretary of State for African Affairs, Johnnie Carson, said that the annual Forum would begin in Washington, followed by a session in Kansas City, Missouri.

The formal meetings will begin August 2 and conclude the following day. Sessions will touch on the impact of the economic downturn, strategies to promote the next wave of growth, strategies for expanding US–sub-Saharan African trade, the Feed the Future initiative, and integrating Africa's women into the global economy.

This year's "hybrid forum" is an effort to respond to the criticisms that AGOA, which recently celebrated its 10th anniversary, has not lived up to its full potential. It will further seek to improve the ease and understanding of US-Africa trade, and to fully utilize the benefits of AGOA, thus securing a place for African countries in the global economy and raising the standards of living for millions of Africa's poor.

The second part of the forum in Kansas City opens with a breakfast meeting August 5 and ends on August 6, and will include site visits to local US agriculture companies. It aims to enhance personal contacts between investors, buyers and sellers on both sides of the ocean to try to jump-start trade and investment to help fulfil AGOA's promise.

In Kansas City, the forum hopes to engage with the agro-industries and agro-processing sectors of America, for purposes of creating productive relationships with African producers and leveraging Africa's comparative advantage in agro-industry.

ACTIF secures funding for AGOA Advocacy

Prior to the 1990s, Kenya had a robust and integrated cotton sector. At its peak in 1984, cotton production was over 70,000 bales supplying the domestic textile industry comprising 52 textiles mills employing 42,000 people. According to KIPPRA, the textile and clothing industry was the second largest employer after the civil service by the 1980s.

In 2000, AGOA was introduced by the US Congress as a market based incentive under the principle of "trade not aid" to promote the development of the African cotton textile and garment industry. It came into effect in October 2000. The initiative was to extend until 2008. It included a provision that fabric imported from non-African countries ("third country fabric") may be used in the finishing of garments for export to the US for four years expiring 2004. This was in recognition that the sub-supply of cotton in SSA countries was insufficient to meet demand at a competitive price. The "third country fabric" provision was subsequently extended for two years until 2006.

The Africa Investment Incentive Act of 2006 amended parts of AGOA and is referred to as "AGOA IV". This legislation extended AGOA until 2015, and extended the "third country fabric" provision further to 2012. AGOA IV also introduced investment incentives in 2006 to encourage the development of a full supply/value chain (cotton-fibre-textile-apparel). This is considered essential to the long-term competitiveness of SSA producers.

The Multi Fibre Arrangement (MFA), also known as the Agreement on Textile and Clothing (ATC) governed world trade in textiles and garments from 1974 through 2004. It imposed quotas on the amount developing countries could export to developed countries. It was introduced as a short-term measure intended to allow developed countries to adjust to imports from the developing world. Developing countries have a natural advantage in textile production because it is labour intensive and they have low labour costs.

The AGOA initiative has been deemed a success where its provisions have been fully exploited, including Mauritius, Madagascar, Lesotho, Kenya, Swaziland & Ethiopia with lesser investments in Tanzania and Uganda. It has led to the investment in, and development of apparel manufacture in SSA. However, the associated growth of the cotton-fibre-textile supply/value chain has not taken place as intended as under AGOA IV.

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Second hand Clothing Hurting African Textile and Clothing Industry

The flooding of the market by cheap imported second hand clothing is responsible for the decline of Cotton to Clothing value chain in many African countries.

According to the Africa Cotton and Textile Industries Federation (ACTIF), Africa had a very vibrant textile and clothing industry until the late 1980's when most African countries liberalized their economies making it easier for second hand clothing to enter their markets.

As a result most countries have lost up to 70% of their clothing industry. Some countries such as Uganda and Nigeria have taken steps banning second hand clothing imports but the items are still widely available due to porous borders and weak government controls.

ACTIF says repeated requests to the authorities by manufacturers of textiles and garments to either ban or restrict importation by imposing some sort of levy have not borne fruit despite the fact that this would go a long way in making locally produced clothing more competitive. The whole matter remains politically sensitive and there have been allegations of some senior government officials being involved in the trade due to its lucrative margins as well as selfish motives.

To reverse this trend, ACTIF advocates that African governments look at their own economies with a view to creating a market for locally produced clothing, which in turn can bring in much needed jobs.

The industry also has aging machinery, some as old as 25-30 years and cannot produce efficient without being up-graded. Unfortunately this can only happen if there is a market for the product. Foreign direct investments could also come in to develop the CTA sector which requires very high cost of finance specifically in spinning and textile mills.

Article by Mr. Rajeev Arora, ED, ACTIF

ACTIF Chairman, Mr Bedi, Appointed new KAM Chairman

The Kenya Association of Manufacturers - KAM Board has elected Mr. Jaswinder Bedi from Nakuru-based Bedi Investments as the new KAM Chairman. Mr. Bedi joined the KAM Board 16 years ago where has served in the Trade Committee in which he currently chairs the International Trade and New Markets sub-committee with a focus on issues related to African Growth and Opportunity Act (AGOA), Economic Partnership Agreements (EPAs), World Trade Organisation (WTO), and Kenya's exports to foreign market. He is also chairman of the Kenya Apparel Manufacturers and Exporters Association (KAMEA) and the African Cotton and Textile Industry Federation (ACTIF) which brings together cotton-to-fabric value chain stakeholders in East and Southern Africa region. Haco Industries managing Director Mr. Polycarp Igathe was elected as Vice Chairman.

The election of Jas Bedi was chaired by outgoing chairman Mr. Vimal Shah at a regular full Board meeting. Speaking soon after election, Mr. Bedi thanked the Board for the honour of leading the Association and invited mentorship support from the outgoing chairman. He acknowledged the great leadership of Mr. Shah over the last two years, during which time the organization celebrated 50 years of its existences and re-branded itself. "Vimal has taken the bar high and we must keep it and stay focused," noted Mr. Bedi.

The entire staff of ACTIF Secretariat would like to extend their heartiest congratulations on your appointment as the new KAM Chairman. This, indeed is a great achievement, and shows your strong leadership and total commitment to the industry. We look forward to your continued guidance and direction in steering the industry to greater heights.

Upcoming Go-To Event in Mauritius

Fibre to Fashion, Mauritius 10-12 November 2010

The concept behind Origin Africa is to capture the spirit, style and innovation of modern Africa. It will raise awareness about Africa as a sourcing destination and change perceptions about doing business in Africa, targeting a global audience of buyers, business leaders and designers. Fibre to fashion 2010 will highlight the creativity and innovation of the African cotton, textile and clothing industries, and raise the profile of the continent as a source of supply of cotton, textile products, fabrics and clothing for international buyers. This world class event will bring together business leaders and decision makers from 20 countries across Africa, providing opportunities for international buyers to establish contacts with African designers and industry, and to do business.

Featuring

A Platform for Business

- Promoting trade opportunities from fibre to fabric, from corporate wear to fashion, from clothing manufacturers to accessories
- US & EU buyers to market their business & requirements to Africa
- Sellers to market & profile their businesses & products to the region, and globally

Inspiration, Innovation & Technology – Symposium Program will include:

- New product development, new cotton fabric & fibre technologies
- Innovations in design
- Trend exhibits and a display of unique accessories, only found in Africa
- Green/Eco manufacturing facilities

Origin Africa Designer Showcase

- Featuring the talents of 20 up & coming designers from across Africa, who will create and innovate using cotton and other raw materials and accessories from the continent. The designers will work alongside leaders in the African textile & apparel industry to design clothing with commercial appeal and African flair

Pan-African Graphic Design Show

- This Graphic Design Show will tap into Africa's new and exciting talent. A competition that is open to all, reaching out to Africans from slums to studios, unlocking a world of ideas through graphic design – promoting freedom of expression & empowerment

Incorporating extensive global media coverage, and International designers & other celebrities

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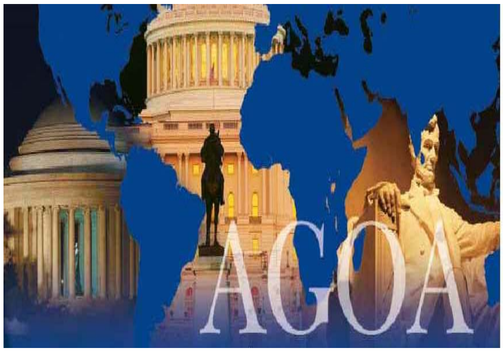
Bid for indefinite extension of AGOA

By Hayal Alemayehu



African Ambassadors and the continent's largest textile association, the African Cotton and Textile Industries Federation (ACTIF), are lobbying for the indefinite extension of AGOA.

The Act, which under present arrangements expires in 2015, is providing duty-free and quota privileges for over 6000 goods exported from about 38 African countries to the US.

The move for indefinite extension came in a bid to continue upgrading and converting opportunities presented by AGOA into long term investment in Africa, according to diplomatic sources.

ACTIF, whose members are major beneficiaries of the Act, has been lobbying for the indefinite extension of AGOA over the last several months while African governments have been supporting the move, according to sources.

Initiated to make better deal out of the AGOA legislation, the lobbying is an effort to transform AGOA to investment opportunities for US investors.

"The indefinite extension of AGOA will encourage U.S. investors to come to Ethiopia and other African countries and invest there and this requires a tax break," said a diplomat who opted to remain unnamed because the move is still in the processing stage.

The diplomat said there needs to be a tax break for the U.S. investors when they invest in Africa adding that the U.S. administration needs to provide that privilege to U.S. investors to encourage them to invest in Africa. This, he said, will make the legislation more meaningful by transforming AGOA into an investment opportunity.

"The Obama administration is very much committed to a strong partnership with Africa, and the ninth annual US-Sub-Saharan Africa Trade and Economic Cooperation Forum in August is part of that commitment," US Assistant Secretary of State for African Affairs Johnnie Carson told African diplomats on May 26, this year.

"We want to find ways to make this partnership beneficial to the United States and, most importantly, to Africa and the people of Africa. … We are doing everything that we can to reach out, to strengthen the partnership and add value to it. The African Growth and Opportunity Act [AGOA] Forum is one of those ways and we want to build on it," Carson said while addressing the African diplomatic corps at the State Department

Source: http://www.ethiopianreporter

Textile Industry Seeks Customs Reform

The president of the National Council of Textile Organizations (NCTO) has made an urgent appeal for Congress to enact legislation combating fraud and other forms of illegal trade that he claims are costing "tens of thousands of U.S. jobs." In testimony before the House Ways and Means Committee's Trade Subcommittee, NCTO President Cass Johnson outlined a litany of fraudulent practices that he says are running rampant as a result of lack of enforcement of free trade and preferential trade agreements. "There is no more important issue for the domestic textile industry than the integrity and enforcement of our trade agreements and obligations," Johnson said.

He told the subcommittee that "years have passed" since enactment of the Central America-Dominican Republic Free Trade Agreement, the North America Free Trade Agreement and the Andean Free Trade Agreement, and "we still are wondering when the promised tough enforcement is going to appear." Johnson said the textile industry has seen rapid increases in illegal fraud coming from the free trade and preferential trade agreement countries "as unscrupulous importers and producers have progressively discovered there is little they can't get away with."

He said this situation has left his association's member companies "shaken and angry" and that "many companies have lost faith in the government's commitment to defend them from illegal activity." Claiming that preferential trade agreements have become the "lifeblood of the U.S. textile industry," Johnson said textile and apparel trade within the Western Hemisphere countries now amounts to $20 billion a year. In addition, he said, the U.S. Treasury may be losing as much as $1 billion a year in revenue because importers are undervaluing apparel products from China or improperly claiming free trade preferences.

Johnson appended to his testimony the case history of R.L. Stowe Mills, a 103-year-old company that ceased operations in 2009 and is going through a liquidation process due in large measure, according to Harding Stowe, its CEO, to the lack of enforcement of fraudulent practices in textile trade. Johnson said his association has developed six key areas in which problems need to be addressed:

- Customs verification systems regarding textiles and apparel are burdensome to importers and provide Customs with little actionable information.
- Customs can do a better job of making import specialist assignments to high-trade ports.
- Importers that do not reside in the United States and therefore are outside of the nation's legal authority have become difficult to manage and have become a major source of fraudulent activities.
- Customs needs additional resources to focus on and combat undervalued goods, particularly from China.
- Customs does not have sufficient resources to partner with foreign-country customs services, particularly in the free and preferential trade areas.
- The Justice Department currently discourages commercial fraud cases. Johnson said he expects the leadership of the Congressional Textile Caucus to introduce legislation that, for the first time, will be "textile specific" and address what the industry hopes will be solutions to some of its fraudulent trade problems.

By James A. Morrissey,
Washington Correspondent, May 2010

Russian Textile Mills Constrained by Lack of Access to Credit

The biggest constraint faced by Russian textile mills is the tight credit needed to modernize equipment, an international conference, Textile Industry and National Strategies for Sustaining Global Competitiveness", has been told.

The delegates meeting in Moscow, May 18, 2010 were told textile companies often do not have enough collateral to qualify for commercial loans to modernise machinery.

Industry players urged the government to provide guarantees to facilitate credit for purposes of modernization in order to improve competitiveness. Russian mills also said they would like the government to support training of textile workers, as qualified labour becomes scarce and mills do not have enough facilities and resources to undertake training programs.

The meeting identified factors that negatively affect the Russian textile industry as trade protection, duties on exports, illegal imports, and unfair competition by importers because of smuggling and false documentation in order to evade tariffs. Yarn imports from Turkmenistan and Uzbekistan were also rising, and both governments are supporting their textile industries with subsidized cotton and new equipment. Cotton yarn from Turkmenistan sells in Russia at prices lower than the cost of cotton delivered to Russian mills.

The conference focused on strategies for sustaining competitiveness of the cotton textile and garment industries, the role of government and an outlook of the Russian textile industry.

An estimated 30% of net domestic textile consumption is produced in Russia and 70% is imported. A whopping 45% of imported textiles and apparel are smuggled.

Total Russian textile market value is estimated at $7-$10 billion. Most Russian mills are producing for domestic markets and the share of military orders, including uniforms and heavy canvas, remains high. Military procurement is expected to sustain domestic production in the future. However, military purchases are not stable affecting mills' use of capacities.

Exports of textiles from Russia were expanding into Europe during the 2000s, aided by a weaker ruble, but are declining currently because of contracting textile demand in Europe. There are still substantial cut & sew operations in Russia, and textile companies from Europe are looking for opportunities for joint ventures in the production and retail sale of textiles and apparel in Russia.

Russian imports of cotton originate mostly from Uzbekistan, Tajikistan and Turkmenistan. Mill use in Russia declined in 2009 and was estimated at 190,000 tons, down from 240,000 tons in 2008. Uzbekistan accounted for only 23% of cotton imports in 2009 and Kazakhstan is now the largest supplier to Russia. The decline in the ruble may reduce imports of yarn and could lead to higher cotton mill use in the future.

It was emphasized at the conference that the government of Russia is providing support to the industry by subsidizing interest rates on loans to the textile industry, providing funding for textile industry research, working to improve customs statistics, and the Ministry of Industry and Trade is developing a reference book of state-of-the-art spinning equipment as a guide to machinery imports. Imports of textile machinery, which is not produced in Russia, are duty free.

The government of Russia has no benchmark or target for national textile production. However the government is emphasizing technology development, tax policy, renovation, and enforcement of customs regulation. Production of technical textiles and heavy textiles and garments, such as military uniforms, is encouraged. The government is also encouraging the use of chemical fibres

It was observed that proximity to production does not guarantee competitiveness, as evidenced by the decline in mill use in the U.S. and the rise in garment production in Mauritius and Bangladesh. Productivity, efficiency and labour costs are more important than proximity to cotton production. However, proximity to cotton production could be advantageous, and the Ministry of Industry and Trade in Russia is asking the Ministry of Agriculture to reactivate a plan to produce cotton in Russia.

Source ICAC: June 16, 2010

ACTIF Wins Funding for AGOA Advocacy

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ACTIF received funds from the Business Advocacy Fund (BAF) in order to carry out work on the following areas:

- Extension of the period of AGOA and AGOA IV beyond 2015 to promote the SSA cotton sector as originally intended
- Extension of the period of the "third country fabric" provision
- Deferment/postponement of the introduction of DFQF status to Asian LDCs as it would undermine the purpose of AGOA and AGOA IV

The funds will be used to:

- Research on selected AGOA eligible SSA countries, and in Cambodia, Bangladesh and Vietnam, to gather evidence/ statistics on the impact of the end of the AGOA 3rd country fabric provision in 2012 and AGOA in 2015. Plan and hold a stakeholder's roundtable meeting to discuss and provide input to the outcomes of the above research studies.
- Dialogue with the US policy makers and the US Trade Representative (USTR) to gauge opinions and attitudes towards AGOA and the proposed DFQF extension provision.
- Prepare a comprehensive Policy Position Paper highlighting the benefits that may accrue for both parties (Sub-Saharan Africa and the US) if ACTIF's proposed amendments to AGOA IV and the deferral DFQF status are accepted.

Consultants have already been engaged to undertake the activities, and reports from the various countries will support the Policy Position Paper that will be presented and advocated to the US Trade Representative Department (USTR). ACTIF will also lobby the relevant US Congress Committee so that there is clear understanding of the SSA position and the likely consequences of not amending AGOA as ACTIF proposes.

Source: ACTIF

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