African Cotton & Textile Industries Federation

ACTIF Newsletter

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ACTIF pitches for AGOA to be made permanent

The African Cotton and Textile Industries Federation (ACTIF), funded and supported by the Business Advocacy Fund (BAF), used its presence at the 9th African Growth and Opportunity Act (AGOA) Forum in the USA to pitch for AGOA's continuity and permanence to provide US apparel buyers and investors with the stability and predictability they require to source from Africa.

ACTIF Chairman Mr. Jaswinder Bedi together with its members Vice Chair Mr. Nkopna Monyane of LTEA and Mr. Rajeev Arora Executive Director, who attended the Apparel Workshop on 29th July made a presentation and met with several senior members from the civil society and gave out copies of the White Paper for the AGOA modification for their perusal and concurrence.

The Forum, whose theme was **AGOA at 10: New Strategies for a Changing World,** comprised three sessions on July 29-30, August 2-3, and August 4/6 and featured a two-city format that provided US businesses a unique opportunity to discuss broader trade and capacity-building opportunities with decision makers from across Africa.

It began in Washington, DC from August 2-3, 2010 with senior government and trade officials from 38 African nations. The forum then continued in Kansas City, Missouri from August 5-6 August 2010 with additional participants from the African private sector. The format highlighted the US private sector in the American heartland, with a particular focus on agri-business linkages, and included face-to-face networking with African ministers and business leaders. African participants spent two days meeting American business representatives ranging from farm-equipment producers to seed developers and sellers. They also visited a local farm to see how technology has radically transformed the American farm.

The Forum brought together high-level officials and business leaders of Africa and the US to promote trade and economic ties between the United States and Sub-Saharan Africa.

AGOA was signed into law on May 18, 2000 as Title 1 of The Trade and Development

ACTIF Chairman Jas Bedi & LTEA Vice Chair Nkopna Monyane address the Civil Society Workshop

COMESA Secretary General Mr. Sindiso Ngwenya addressing the Ministerial Forum for AGOA

Kenyan Minister Amos Kimunya at the AGOA Ministerial Forum

Act of 2000. The Act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.

When AGOA was first conceived, there were un-progressive trade practices by African governments, such as high tariffs on the import of necessary technology and inputs and poor labour standards. Still, many civil society observers felt that AGOA's demand for reform limited African governments' ability to take protective measures when warranted particularly in

Mr. Rajeev with Ms. Lesa Mitchell, Kauffmann Foundation

ACTIF ED Rajeev Arora during the Ministerial Forum for AGOA

times of economic crisis. As the United States has been forced by global economic circumstances to assume control of private companies and intervene in the financial market to save it, Africans rightfully question whether they are being held to a reasonable standard at a time of worldwide crisis.

In the original concept of AGOA, the textile and apparel industry was seen as the means of establishing the industrial sector in Africa, as it had been for countries during the Industrial Revolution in the 1700s. However, Africa's textile and apparel trade with the United States has declined from US$1.3 billion in 2007 to US$334 million in 2009. Textile and apparel trade accounts for less than 2% of AGOA trade today. This is largely due to international events such as the expiration in 2005 of the Multi-Fibre Arrangement that had heavily regulated international textile and apparel trade through a global quota system to prevent market flooding by low-wage producers.

Still, the African textile and apparel industry has realised that it needed unite to provide a common front and greater economies

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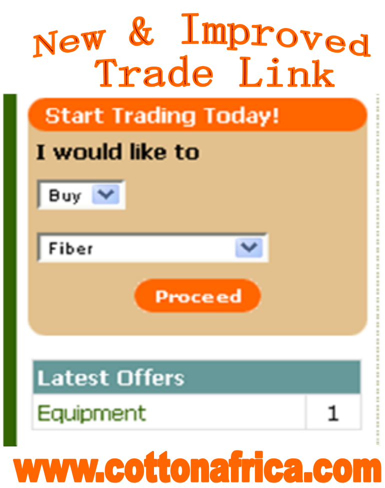
of scale in competition with China, India, Bangladesh and other growing world textile and apparel producers.

ACTIF is currently creating brand identity for African clothing products to stimulate buyer interest and provide consistent standards for African textile and apparel products. The organization has been instrumental in providing information to US advocates to explain to the US government the harm that would be done in extending at this point duty-free, quota-free treatment for Asian textile and apparel producers who already out-produce Africa.

Capacity building for African entrepreneurs has long been seen as critical if AGOA's benefits are to be widely enjoyed on the continent. Such empowerment efforts must create sustainable enterprises managed by Africans and not expatriates. Ongoing training must be provided by African private sector or civil society organizations to the extent feasible. To do otherwise devalues the abilities of those who must carry on long after foreign grants expire. This model is being exemplified by the US African Development Foundation (USADF).

USADF, on an annual budget of about US$30 million, provides about US$25 million in grants to local groups seeking to become proficient in production and hopefully to become successful exporters. Currently, US$60 million has been extended in grants to about 400 groups in 20 African countries. USADF grants have enabled the creation of US$250 million in new economic activity that has benefitted more than 700,000 African people. Technical assistance, provided by local organisations, provides help needed for enterprise development and subsequent expansion. Grantees are assisted for at least two years and for as long as seven years.



Support from the Ex-Im Bank of the United States

The Export-Import Bank of the United States (Ex-Im Bank) is an independent US Government agency that helps finance the overseas sales of US goods and services. In over 70 years, Ex-Im Bank has supported more than $400 billion in US exports.

Ex-Im Bank's mission is to create jobs through exports. It provides guarantees of working capital loans for US exporters and guarantees the repayment of loans or makes loans to foreign purchasers of US goods and services. Ex-Im Bank also provides credit insurance that protects US exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed.

For Ex-Im Bank to consider a transaction there must be at least three primary elements present:

1. **Cover Policy** – Ex-Im Bank must be open in the country. In Kenya, for example, we are open in the short (up to 360 days for commodities and consumables), medium (up to 5-7 years for capital goods), and long-term (up to 12/15/18 years for large capital goods, large projects and environmental transactions). For services contracts, typically the terms would match the length of the contract.

2. **Content** – The export must be made in the USA and exported from the USA. For services, the service must be performed by a US citizen, either in the US or abroad, on an export contract.

3. **Creditworthiness** – The buyer must demonstrate a reasonable assurance of repayment. For public sector transactions, we would require a Ministry of Finance Guarantee. For private sector transactions in excess of $500,000, we require 3 years audited financial statements typically by one of the big accounting firms. If this cannot be met, a local bank or corporate that can meet our credit standards needs to act as the obligor on the transaction. On rare occasions, we may consider project risk of very large projects.

For more information visit: http://www.exim.gov

ACTIF members in drive to prevent erosion of AGOA gains

ACTIF members from sub-Saharan Africa proposed a raft of modifications to prevent the erosion of gains in the cotton value chain and collapse of the AGOA apparel industry during the 9th AGOA forum. Some of the key recommendations were:

1. **Extend AGOA on a Permanent Basis:** AGOA is currently authorised only through 2015, and its effectiveness to date has been undermined by a series of short-term reauthorizations. To provide US apparel buyers and investors with the stability and predictability they require to continue to source in Africa, AGOA should be made permanent (or at least extended on a long-term basis of a minimum of 10 years beyond 2015).

2. **Extend the AGOA Third-Country Fabric Rule:** The key to AGOA's success in spurring the development of an apparel industry in Africa has been the so-called "third-country fabric" rule of origin, which allows LDC AGOA beneficiaries to use yarns and fabrics from any country. In contrast, most US FTAs and preference programs incorporate a "yarn-forward" rule of origin that requires use of only local yarns/fabrics. US buyers insist on the flexibility to specify the yarn/fabric inputs for the garments they order, so the AGOA third-country fabric rule has provided a significant incentive for sourcing apparel under AGOA. Indeed, some 90% of the apparel imported under AGOA is made with third-country fabric. The third-country fabric rule is currently authorized only until 2012. It should be extended for the same period as the overall authorization of AGOA that *is* preferably on a permanent basis (but in any case at least for a minimum of 10 years beyond 2015).

3. **Encourage Regional Integration By a Single Rule of Origin for All AGOA Beneficiaries:** It is widely recognized that the long-term development of Africa will require much greater regional integration. The current AGOA rules of origin, however, undermine regional integration efforts by distinguishing between LDC and non-LDC beneficiaries, most notably with respect to the use of third-country fabric and the eligibility of non-apparel textile products (which must be made in an LDC from fabric woven in an LDC from yarn spun in an LDC). To encourage greater regional integration, the same rules of origin for third-country fabric and non-apparel textile products should apply to all AGOA beneficiaries.

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London Forum to discuss fair and equitable trade

By Jacqueline Shaw, Ethical Fashion Forum

"For value addition, Africa faces low quality standards, high energy and labour costs," said Miriam Omolo, a researcher at the Institute of Economic Affairs.

Apart from the calls to make Agoa a permanent trade arrangement which also dominated the Nairobi forum last year, Kenyan exporters are hoping to be allowed to cooperate with neighbours in developing value chains to boost trade.

This, for instance, would mean that Kenya which has an advantage in textile manufacturing and weak cotton production is allowed to source raw materials from Uganda and Tanzania which have advantage in cotton growing.

Environmental impact of industry, fair and equitable trade and poverty reduction will be the subject of discussions at a forum to be held in London next month.

The Ethical Fashion Forum's 'Source Expo', the annual industry trade show for suppliers of ethical and fair trade fabrics, components and manufacturers in the fashion industry will be taking place on the 6th October 2010 at Central Hall Westminster, London.

It was launched last year and was initially known as the Global Sourcing Marketplace.

The event, which has been organised in partnership with Fairtrade Foundation, the World Fair Trade Organisation, PAN UK, Organic Exchange, MADE-BY and the RITE International Conference, aims at creating a platform and opportunities for suppliers with exemplary practices. Organisers will also be seeking to promote sustainable fashion practices and facilitate sustainable sourcing amongst fashion professionals.

Some of the key benefits include a listing on the Ethical Fashion Forum website, which enjoys a monthly traffic of over 30,000 unique visitors per month, exposure to a 10,000 strong industry network dedicated to sustainable sourcing including sourcing and production teams, buyers, designers, press and entrepreneurs, through targeted industry mail outs as well as promotion to the EFF network in more than 100 countries.

Other benefits are a listing in the event directory, opportunity to showcase at the prestigious event, discounted ticket prices to the RITE International Conference and advance contact details for exhibitors wishing to arrange meetings with key visitors.

Participants can also enjoy a 6-month free listing on The Ethical Fashion Source, to be launched in the autumn 2010. This will be the first comprehensive, searchable online sustainable sourcing database, set to become the most important international reference point for the fashion industry.

The forum is a part of the EFF Fashion + project which is supported through a mini grant from the DFID Development Awareness Fund. For more information, please contact: Jacqueline Shaw or Lorraine – Email:madeinafrica@ethicalfashionforum.com or The Ethical Fashion Forum (EFF): www.ethicalfashionforum.com

This is a new moment of great promise, says Clinton

US Secretary of State Hillary Clinton has called on African countries to seize what she called a "new moment of great promise."

Speaking at the 2010 Africa Growth Opportunity Act (AGOA) Forum on August 3, 2010 in Washington, DC, Mrs. Clinton said the old stereotypes that characterised the African story for decades were giving way to a new view of Africa.

"In small villages and sprawling cities across that diverse continent, poverty, conflict and corruption are giving way to opportunity, stability, and democracy," said Clinton.

Africa's progress, she said, was the result of hard work, talent and determination of people and governments across Africa.

Recalling her trip to Africa in the summer of 2009 which she described as a turning point, the Secretary of State said challenges still persist, and a cycle of conflict has left millions dead and spawned an epidemic of sexual and gender-based violence. On some millennium goal targets such as combating disease, she added, Africa has actually lost ground in recent years.

"Sub-Saharan Africa is home to 12 percent of the world's population but it accounts for less than 2 percent of the world's gross domestic product (GDP)," she said giving the example of Nigeria where more people live in poverty today than did 10 years ago.

Clinton said the United States is a committed friend and partner in helping African nations resolve their many challenges. Development programs with a local focus were being pursued by the United States to foster regional markets within Africa to boost both aid and trade effectiveness and to promote structural reforms and gradual liberalisation, she added.

She emphasised the news steps the United States was taking to help entrepreneurs noting the recently hosted White House summit for entrepreneurs (http://www.america.gov/entrepreneurship_summit.html) from around the world. Additionally, she said the United States is entering into bilateral investment treaties that encourage market reforms and set conditions for continued growth. A bilateral investment treaty with Mozambique in 2005, she said, demonstrates how effective these agreements can be in spurring reform and growing the economy.

Clinton said AGOA could be a powerful engine for growth, if its trade preferences are coupled with effective development programs and reforms that build the capacity of African businesses to succeed in international markets. She added that Africa needed both trade and aid, and particularly aid that supported trade.

In her concluding remarks, she said significant challenges in infrastructure are yet to be tackled, with just 30 percent of the African road network paved. Air travel remains slow - it takes three times longer to fly from Dakar to Kinshasa than it does from Dakar to Brussels, even though the distance is the same. One bright spot was that the countries of East Africa, which includes the 127 million people of Kenya, Tanzania, Uganda, Rwanda and Burundi, had a combined GDP of $73 billion. In 2005, the Community launched a customs union and more recently declared a common market. The common market eliminates tariffs and streamlines trade and related policies within the bloc. The result was that trade between East African nations had increased nearly 50 percent since the Customs Union was established. Investment and foreign trade have followed, with trade between the United States and the region increasing 13 percent.

Extracted from: www.state.gov/

ACTIF members in drive to prevent erosion of AGOA gains

4. Protect AGOA From Being Undermined by Preference Reform and/or TPP: Africa is currently losing market share to already-competitive LDCs such as Bangladesh and Cambodia, as well as Vietnam. The policy rationale for trade preferences is to assist non-competitive developing countries to become competitive via duty-free preferences. According to Mr. Bedi, it makes no sense from a public policy perspective to extend duty preferences to already-competitive developing countries.

Accordingly, ACTIF recommends that (a) key apparel products from Bangladesh and Cambodia should be excluded from duty-free treatment under preference reform legislation, and (b) key apparel products from Vietnam should be excluded from duty-free under TPP. Three product groups – knit shirts, trousers, and woven shirts – account for 91% of all apparel imports under AGOA. These same products represent a much smaller portion of imports from Bangladesh, Cambodia, and Vietnam, ranging between 64–71%.

If it is not possible to exclude these key products completely from preference reform and TPP, ACTIF suggests that duty-free access for the key apparel products from Bangladesh, Cambodia and Vietnam should be limited to the volume of actual imports of these products from Africa. Limiting duty-free access for these key products from Bangladesh, Cambodia and Vietnam to the actual volume of such imports from Africa would create a win-win opportunity for both Africa and the already-competitive Asian producers by providing an additional incentive for US buyers to continue to source from Africa in order to earn the chance to import these products duty-free from Bangladesh, Cambodia and Vietnam. This could be achieved by means of a modified version of an Earned Import Allowance Program (EIAP) patterned after the existing EIAP under DR/CAFTA and Help for Haiti or a tariff rate quota (TRQ) on Bangladesh, Cambodia and Vietnam set at the level of actual imports from Africa.

5. Non-Sensitive Textile Products: One of the ironies confronting AGOA is that continued access to third-country fabric is essential for the survival of African apparel sector in the short to medium term, but greater vertical integration is necessary to bring speed to market and competitiveness in the long run. Unfortunately, the African textile industry has contracted under AGOA, so additional incentives to encourage vertical integration are needed. As a means to encourage investment in the upstream yarn and fabric industry in Africa, it is recommended that duty-free eligibility should be extended to non-sensitive textile products. The US International Trade Commission (ITC) could determine which non-apparel textile products made in Africa are not import sensitive in the US market. Duty-free eligibility could be extended to such non-sensitive products. It is also recommended that the current restrictive requirement that all inputs and processing for non-apparel textile products must be done only in LDCs should be relaxed, provided however that all processing must be done in AGOA countries in order for non-apparel textile products to be eligible.

6. More Flexible AGOA Eligibility Rules: Until the 2008 nondemocratic regime change, Madagascar had been one of the AGOA success stories. Not only had US apparel imports from Madagascar grown exponentially under AGOA, Madagascar had also become one of the best examples of regional integration: (a) yarns, fabrics and accessories (*e.g.*, zippers) made in other AGOA countries were incorporated into garments in Madagascar, and (b) other AGOA countries (notably Mauritius) made significant investments in the development of the Madagascar apparel industry. This all came to an abrupt end on December 31, 2009, when President Obama suspended Madagascar from AGOA eligibility. Apparel imports from Madagascar have now almost completely disappeared. Unfortunately, the brunt of this sanction is being borne by the 30,000 Madagascar workers whose jobs have been lost and by the companies whose investments in Madagascar have been wasted, not by the participants in the coup. ACTIF respectfully suggests that the current "all-or-nothing" AGOA eligibility standards should be modified to give the US Administration greater flexibility to develop and impose more focused sanctions, including a sliding scale of sanctions ending with suspension of benefits as the ultimate penalty, rather than the current situation where it is the only sanction available to penalize countries that are found to be out of compliance with the AGOA conditions of eligibility.

Other Policy Initiatives to Reinforce AGOA

In addition to the foregoing revisions to AGOA, the US Administration should undertake various other policy initiatives to reinforce AGOA and maintain its sustainability, including the following:

Unfair Trade Practices: One of the reasons Asia is winning apparel market share at Africa's expense can be traced to various unfair trade practices by Asian apparel producing nations, including export subsidies, currency manipulation and violation of intellectual property rights (violations relating to African ethnic textile designs). The US Administration should investigate and trade appropriate remedial action against such unfair trade practices.

Encourage Sourcing in Africa: In response to the devastating earthquake in Haiti, the US Administration has launched an initiative, in collaboration with US apparel companies, to encourage increased apparel sourcing from Haiti. Similar efforts should be focused on continued apparel sourcing from Africa under AGOA.

Greater Support for Regional Economic Integration: US economic development programs for Africa, including the Millennium Challenge Account, US Agency for International Development projects, and the African Development Bank, should be focused on measures to support private sector development, such as infrastructure support projects, and should put greater emphasis on regional economic development as a means to encourage regional trade and integration.

These views are similar to those expressed by the Ministerial and Diplomatic Corps on AGOA. They all confirmed that Africa looks forward to a longer, successful, and beneficial relationship with AGOA.

Upcoming events

20–25 Sept 2010:
69th Plenary Meeting of ICAC – Texas, USA
11–12 October 2010:
Public Private Sector Forum – Arusha, Tanzania
17–19 October 2010:
ITMF Annual Conference – Sao Paulo, Brazil
4–6 November 2010:
Third Swahili Fashion Week – Dar es Salaam, Tanzania
31 March–1st April 2011:
Prime Source Forum 2011 – Hong Kong
22–29 September 2011:
ITMA 2011 Exhibition – Barcelona, Spain

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