COTTON AND TEXTILE REGIONAL TRADE POLICY PAPER

In search of regional strategies for expanding intra and extra regional trade in cotton and textile products

Final Report

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List of Acronyms

COMESA:	Common Market for Eastern and Southern Africa
EAC:	East African Community
AGOA:	Africa Growth Opportunity Act
SADC:	South African Development Cooperation
MFA	Multi-Fibre Agreement
ACP	Africa Caribbean Pacific
EU	European Union
USA	United States of America
RATES	Regional Agricultural Trade Expansion Support program
GOT	Ginning Out Turn ratio
SPS	Sanitary and Phytosanitary

EXECUTIVE SUMMARY

1.0 Introduction

Recent global developments in the cotton and textile sector compel an urgent need for a regional solution for industrial and trade development for this sector. One of these developments is the end of the Multi-Fibre Agreements effective 1st January 2005. The other development is the extension of the AGOA up to 2007, with the provision that the quantity of Sub-Saharan African apparel incorporating third country yarns and fabrics eligible for duty-free treatment be halved in 2006 and zeroed out in 2007. Another addition to these developments is the phasing out of the non-reciprocal duty free trade regime between ACP countries and the EU by year 2007. The latter development requires that ACP/EU countries negotiate a new trade regime that is reciprocal.

These developments are taking place against a background of a region (COMESA, EAC and SADC) that relies overwhelmingly on the external rather regional markets for cotton and textile exports. For instance in 2003, total extra regional exports of lint, yarn, fabric and garments accounted for 4% of the total value of these products exports, which was US$2.1billion. Lint exports to the regional market was only 1% of the total regional lint exports. Yarn, fabric and garments destined to the regional market accounted for 14%, 31% and 3% respectively. This demonstrates existence of capacity to supply cotton and textile.

While bulk of the region's exports is destined to the extra regional market, import data shows overwhelming dependence of the region on extra-regional imports. In other words, the region relies heavily on imports sourced from outside the region (COMESA, EAC and SADC). In 2003, for instance extra-regionally sourced imports accounted for 73% of the region's total market size[1] of cotton and textile which was estimated at US$926m. This translated to a regional market potential, which using the 2003 data was estimated at US$673million or 31% of total regional exports of lint, yarn, fabric and garments. Extra regionally sourced lint accounted for 43% of total regional lint market, while extra regionally sourced yarn, fabric and garments accounted for 76%, 87.5% and 88% of these products' total regional market size, respectively. This shows existence of opportunity for promotion of regional trade in cotton and textile through linkage of the regional value chain.

The implication of this scenario is that the regional option as a safety net for the adverse effects of the global market developments cannot just be ignored! This opportunity may be realized through exploitation of the regional market potential, with the regional value chain based cotton and textile trade as the driving force.

[1] Defined simply as intra-regional imports plus extra-regional imports.

The opportunity for pursuing this strategy lies in the regional trade integration program being pursued by COMESA, EAC and SADC member states. In the three trading blocks, these programs encompass tariff reduction and elimination of non tariff barriers to trade. Already substantial progress has been posted in where intra-regional trade tariffs are 0% for the 11 COMESA FTA countries. EAC and SADC also have a program for gradual reduction of intra-regional trade tariff to 0% by 2007 (for SADC) and 2010 for EAC. There also exists a robust institutional and policy framework for ironing out other outstanding trade regulatory barriers to trade.

The building blocks for appropriation of the opportunity lies in established capacities right across the entire cotton and textile value chain, albeit at very low utilization levels; capability of the private sector as demonstrated by its penetration in to the global market, existence of room to lower costs which have adversely affected competitiveness of the products from these countries.

2.0 Goal, objectives and scope of the study

This study is a collaborative effort of COMESA, EAC and Regional Agricultural Trade Expansion Support (RATES) Program in search of a strategy for integrating the sector regionally and into the global market. The study is based on findings of 11 country baseline studies of 11 countries which account for over 70% of cotton and textile trade (exports and imports) in COMESA, EAC and SADC. These countries include: Ethiopia, Egypt, Kenya, Malawi, Madagascar, Mauritius, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

The goal of this study is to develop a regional policy platform that would assist in exploitation of regional cotton and textile trade potential through increased intra regional trade in cotton and textile products. In addition to developing a policy platform geared towards stimulating intra-regional trade, the study also seeks to integrate policy interventions to assist the region in sustaining its global market hold in the face of projected competition in the global apparel market.

The specific objectives of the study are as follows: -

1. Establish the capacity of the region to supply cotton seed, lint, yarn, fabric and garments by articulating the following:
   - Documenting production trends for the period 1999-2003 for cotton seed, lint, yarn, fabric and garments.
   - Assessing installed capacity and level of capacity utilization
   - Documenting concerns and issues affecting production and capacity utilization

2. Evaluate trade performance and demand/supply situation of cotton lint, yarn, fabric and garments by undertaking the following analysis

- Estimating demand and supply of cotton seed, cotton lint, yarn, fabric and garments
- Export performance for the period 1999-2003
- Estimate regional market potential

3. Document cotton and textile trade policies and regulations and their effect on the trade (exports and imports) of cotton and textile products

4. Propose policy recommendations in support of increased intra and extra regional trade in cotton and textile products.

3.0 Approach and methodology

The findings of this regional paper are based on synthesis of individual country baseline studies. At national level, extensive field visits and consultations were conducted by National resource persons targeting ginneries, textile mills and apparel companies, trade regulatory and facilitation institutions. This was augmented by feedback obtained during RATES forums with stakeholders in cotton and textile sector in some of the sample countries (such as Zambia, Kenya, Malawi, Madagascar, Mauritius, Tanzania and Uganda).

Extensive literature review of recent work at both national and regional level was conducted to augment views of industries. COMESA trade data base was used in assessment of the trend cotton and textile trade (exports and imports). This was supplemented by data obtained through baseline surveys. This paper also builds upon the work by John Cocraft (Dec.2003) *'Regional market assessment on lint and textiles.*

4.0 Summary of findings

4.1 Production

Cotton seed production by the sample countries rose from 1.5million Metric Tones in 1999 to 1.8million metric tones. The lead producing country was Egypt, which in 2003 had a total production of 923,882 metric tones, followed by Zimbabwe and Zambia. The cotton seed production does not meet the region's demand. For instance, using year 2003 production statistics, and ginneries uptake capacity supply deficit was estimated at 2million metric tones.

The lint processing capacities in the ten countries[2] is recorded at 1.1million metric tones. The installed Ginnery Capacity in the region is capable of ginning seed cotton of up to 2.8million metric tones, assuming a Ginning Out Turn (GOT) ratio of 40%. On average, however, only 38% of the installed capacity is currently in use, with Kenya having the lowest level of 13% and Zambia the highest at 78%. Cotton lint production rose marginally from 557,835metric tones in 1999 to 645,370 metric tones in 2003

[2] Mauritius baseline study did not report cotton lint production

4.2 Trade potential

The regional market potential for cotton lint, yarn, fabric and garments, which is proxied by extra-regional imports, is estimated, using 2003 data, at US$673million. The lead area of potential is fabric, followed by garments and yarn. This market potential is presently being serviced from extra regional imports which accounted for 43% 75.6%, 87.5%, 88%, and 43% of total regional market for yarn, fabric, apparel and cotton lint, respectively.

4.3 Trade policies and regulatory requirements

Tariff and non tariff charges were identified as key constraints to intra-regional trade in cotton and textiles. Other policy and regulatory constraints relate to Rules of Origin requirements, SPS requirements (especially GMO restriction) on cotton lint and cotton seed), non admissibility of exports from trade/investment promotion schemes, such as EPZs in to the regional market on preferential terms.

The key concerns on trade related investment promotion schemes such as EPZs, in the context of the effort of promoting regional value chain, are as follows: -

- In EAC, products from EPZ companies are treated as originating from third countries, thus they are not granted preferential tariff treatment. Import duties similar to that levied on cotton and textile products from non-EAC member States is applied on products originating from any member States EPZ companies. This policy is however at variance with COMESA's policy where products from EPZ companies are allowed to access the regional market on preferential terms if they meet any of the five rules of origin criteria. SADC policy on this exports is not clear.
- In all COMESA and EAC countries, only very limited products from EPZ's are allowed to be sold in the domestic market. Given that some of these companies could be producing products such as high quality fabric, this policy limits integration of domestic value chain between the local EPZ companies and other domestic companies. Given the special nature of the cotton and textile sector, there is need for this policy to be reviewed in a bid to promote this linkage.

5.0 Proposed Recommendations

1. **Import duties on intra-regionally and extra regionally sourced cotton, textile and apparel**

   a) In view of existence of the potential for the region to trade in cotton and textile, there is need for a joint COMESA, EAC and SADC regional cotton and textile industrial policy.
   b) Pursuant to the stipulation of such an industrial policy and in the interest of promoting regional value chain that strands the entire ESA region, COMESA,

EAC and SADC should open talks on harmonizing tariffs on lint, yarn, fabric and apparel, to allow intra regional trade in these products to take place.

c) In the meantime, as the three regional blocks consider the above recommendations, there is an urgent need for COMESA and EAC to ensure that duty on intra-regionally traded lint, yarn, fabric and apparel is zero rated. Any exception to this proposal should be supported by evidence of existing capacity of an industry in the region to meet the regional demand of lint, yarn, fabric or garment.

d) In view of the stage of the cotton and textile industrial development, there is need for the COMESA and EAC rules of origin to allow apparel made from third country fabrics to access the regional market at preferential tariff rate. Such policy to be tied to a regional program for development of the fabric segment of the value chain.

e) COMESA, EAC and SADC need to spell out a regional common external tariff that is supportive of the region's policy on the development of cotton and textile sector.

2. Non tariff charges

a) Imports of lint, yarn and fabric should be exempt from VAT in a bid promote competitiveness of the textile and apparel companies

b) Rationalize non tariff charges with the idea of allowing non tariff charges that are permissible under the WTO General Agreement of Trade and Tariffs (GATT)

3. Regulations on regional market access for products that are produced under trade related investment schemes such as EPZs

COMESA, EAC and SADC needs to: -

1. *Harmonize their policy on intra-regional trade of products originating from EPZ schemes and other trade related investment schemes.*
2. *Increase the volume of EPZ products (this could be limited to intermediate products such as lint, yarn and fabric) allowed into the domestic market. A formula for leveling the play ground for non EPZ producing similar products for the domestic market would be required as an integral part of this policy.*

5.4 Sanitary and Phytosaniary Requirements

a) The SPS Authorities in COMESA, EAC and SADC need to come up with a regional policy on BT Cotton, especially. The motivating factor for such a move should be the current challenge which the sector is facing as a result of expensive fabric that is associated with current high cost of cotton production and imminent threat from cheaply sourced fabric and garments.

5.5 Customs Regulations and Procedures for Import/Export Trade

a) Requirements for customs documents to be lodged by licensed clearing agents should be reviewed, with the aim of making the requirement optional for agricultural consignments that are less than US$5000. This policy change should however be backed by extensive education of customs entry documents and procedures.
b) Pre-shipment inspection should be eliminated for regionally sourced dairy products. Along with this policy measure, the requirement for IDF and IDF fees should also be phase out, for regionally sourced cotton and textile products, especially because IDF is merely a record of intention to import. Actual imports are captured through customs statistics.

5.6 Export import controls/restrictions

a) A regional lint quality certification mechanism is required in order to guarantee quality fabric from regionally traded cotton lint.

1.0 INTRODUCTION

1.1 The thrust and scope

Recent global developments in the cotton and textile sector compel an urgent need for a regional solution for industrial and trade development for this sector. One of these developments is the end of the quota system on cotton and textile trade in the global market, effective 1st January 2005. The other development is the extension of the AGOA up to 2007, with the provision that the quantity of Sub-Saharan African apparel incorporating third country yarns and fabrics eligible for duty-free treatment be halved in 2006 and zeroed out in 2007. Another addition to these developments is the phasing out of the non-reciprocal duty free trade regime between ACP countries and the EU by year 2007. The latter development requires that ACP/EU countries negotiate a new trade regime that is reciprocal.

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1.2 Study objectives

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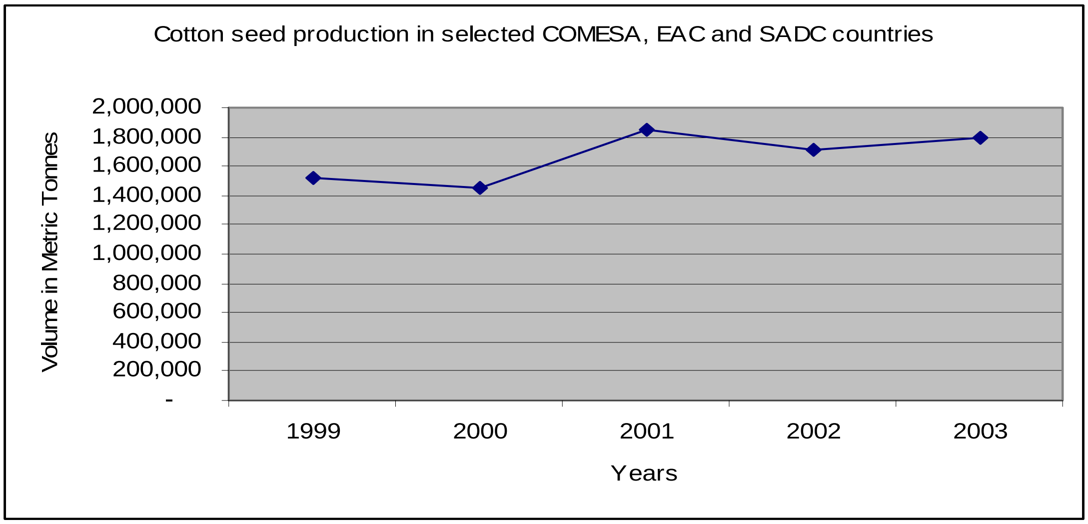
1.4 Limitations

The key limitation in the study was lack of adequate data on industrial production (value and volume). In virtually all countries, this data is not published neither is it collected by the industry. This limitation was overcome by obtaining estimates and collaborating the same through stakeholder consultations in each country.

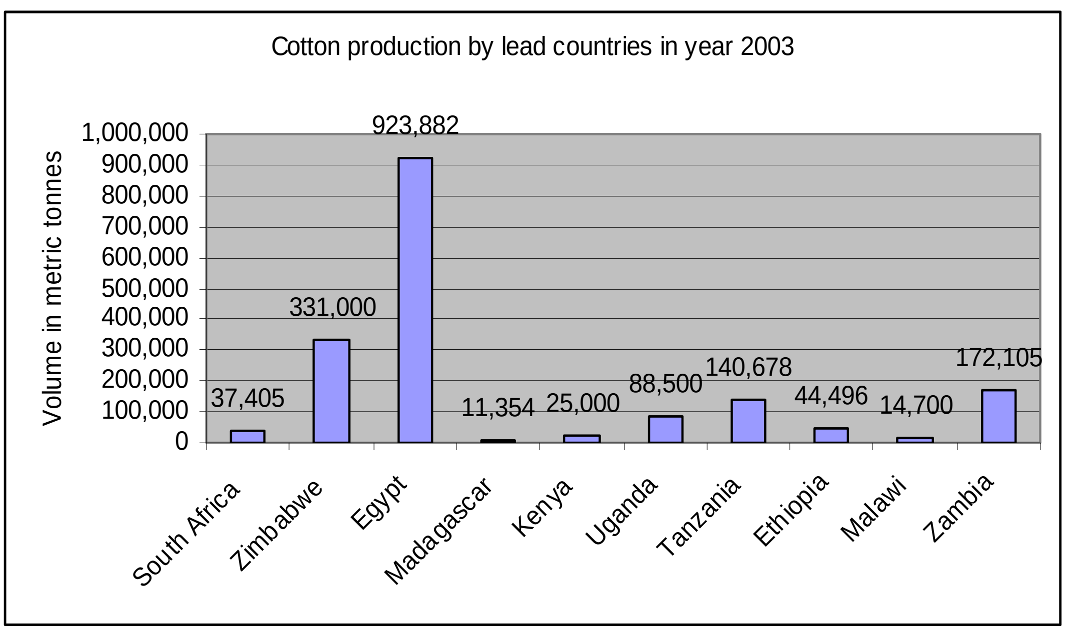
2.0 STRUCTURE OF THE COTTON AND TEXTILE INDUSTRY IN THE COMESA, EAC AND SADC REGION

2.1 Seed Cotton production

Cotton seed production by the sample countries rose from 1.5million Metric Tones in 1999 to 1.8million metric tones. As depicted in the graph below, during this period, production reached a peak of 1.8million MT in 2001.



The lead producing country was Egypt, which in 2003 had a total production of 923,882 metric tones, followed by Zimbabwe and Zambia.

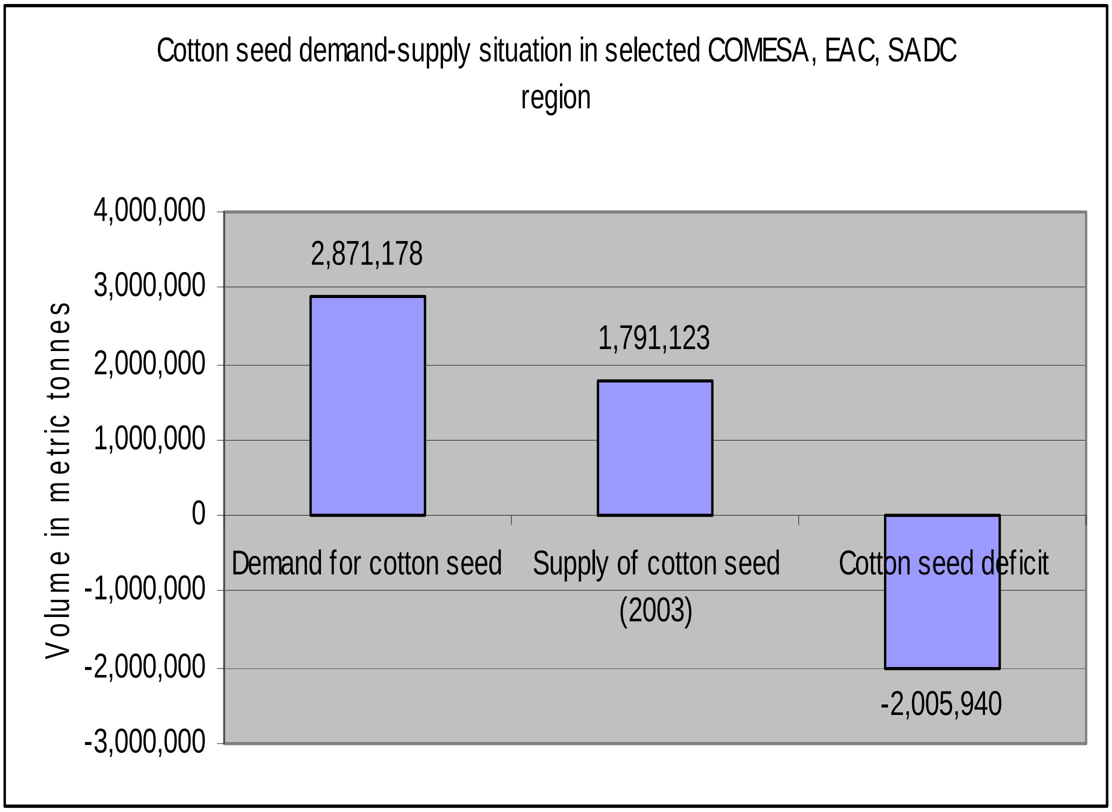


In general, the region is faced with the following key constraints in cotton production: high cost of production (high price of such as fertilizer, seed and pesticides); inadequate production management skills; low development and adoption of yield enhancing technologies such as improved irrigation, seed, fertilizer and pesticides as well as soil and water conservation technologies; poor extension services; poor marketing services; lack of market information; and, inadequate credit programs

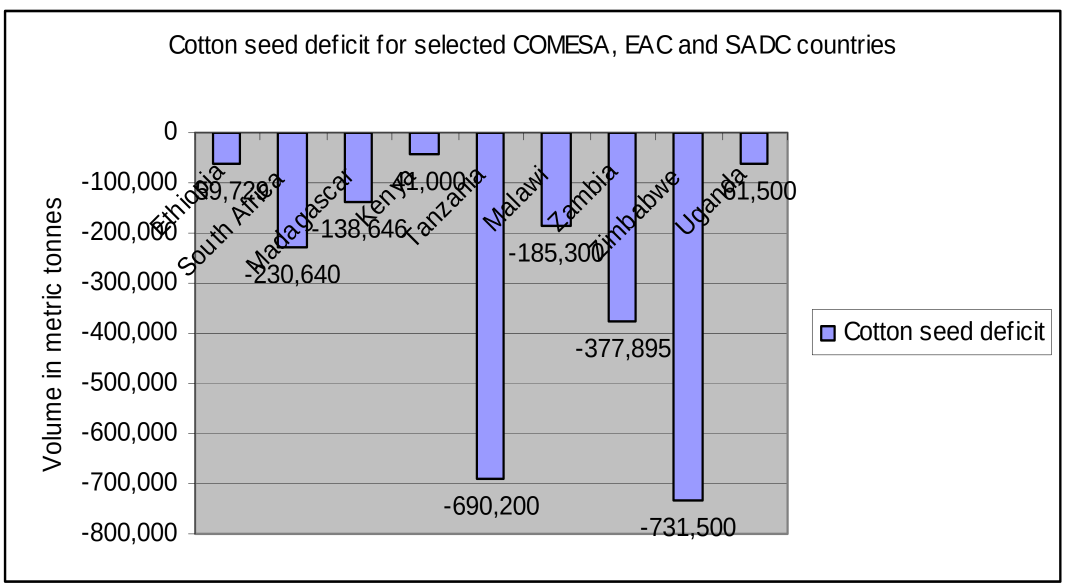
Constraints in the production of seed cotton in the region are similar particularly for countries that are registering declines in cotton production. For example in Kenya, the cotton industry is characterized by regulatory, institutional, policy and marketing failures following the liberalization of the sector. The regulatory body, the Cotton Board of Kenya, became inactive with adverse consequences in the industry: availability of contaminated seed, inadequate control of quality and the collapse of input mechanisms. The policy failure in particular manifested in lack of manpower development policy, dynamic technology development policy, a regulatory and legal framework consistent with a liberalized environment as well as high cost of borrowing, lack of access to credit facilities, lack of extension and other support services, poor input distribution system, high cost of inputs, and generally, poor macroeconomic environment. The institutional failures manifest themselves in lack of strong producer associations (along the chain), weak or ineffective mechanism for overseeing critical issues such as quality seed production and its distribution, provision of inputs on credit and the collapse of extension and other support services. The decline in cotton production in Malawi and Madagascar has been attributed to financial difficulties, poor organization of producer organizations, and low technological development and adoption. In Uganda and Zambia, the recent improved performance in cotton growing is as a result of various out-grower schemes initiated by ginners. For example, the ginners in Uganda have initiated credit schemes to supply cotton farmers with inputs and to provide credit facilities.

There are also infrastructural issues that producers have had to contend with particularly poor access roads. High transport costs for example, in Kenya, Uganda, Tanzania and Madagascar, are attributed to poor road infrastructure. All these factors coupled with declining world prices (partly attributable to competition from synthetic fibres) have made cotton production an unprofitable venture in most countries in the region.

The overall effect of inadequate cotton seed production is reflected in the gap (supply deficit) between the ginning sector’s cotton seed uptake capacity (cotton seed demand) and annual supply. Using year 2003 production statistics, and ginneries uptake capacity (derived from the installed ginning output capacity based on an assumed Ginning Out Turn ratio of 40%) supply deficit was estimated at 2million metric tones. The bar chart below demonstrates this gap.



The country with the highest deficit is Zimbabwe followed by Tanzania and Zambia where the deficits were 731,500MT, 690,200MT and 377,896MT respectively. The deficits in the other countries is as illustrated in the chart below.



This scenario places the need for strategies to increase cotton seed production high on the agenda of increase trade in cotton and textile products in the COMESA, EAC and SADC region. The three regional blocks needs to explore possibility for a regional strategy to support cotton seed production. Besides being spurred by the domestic demand, as discussed above, the following factors should also galvanize the region to pursue this strategy with a passion: -

- Prospects for reduction in global cotton seed production as a result of WTO induced subsidy reduction on cotton production in the developed countries,
- Acute need for regional fabric after 2007 when the AGOA third country fabric use for USA destined products will be phased out.
- Excruciating poverty and unemployment in the region whose prospects for reduction partly lies in the agricultural sector development

2.2 Cotton lint production

The lint processing capacities in the ten countries[4] is recorded at 1.1million metric tones. The installed Ginnery Capacity in the region is capable of ginning seed cotton of up to 2.8million metric tones, assuming a Ginning Out Turn (GOT) ratio of 40%.

Table 1: Installed Vs Utilized capacity for Ginneries (figures in metric tones)

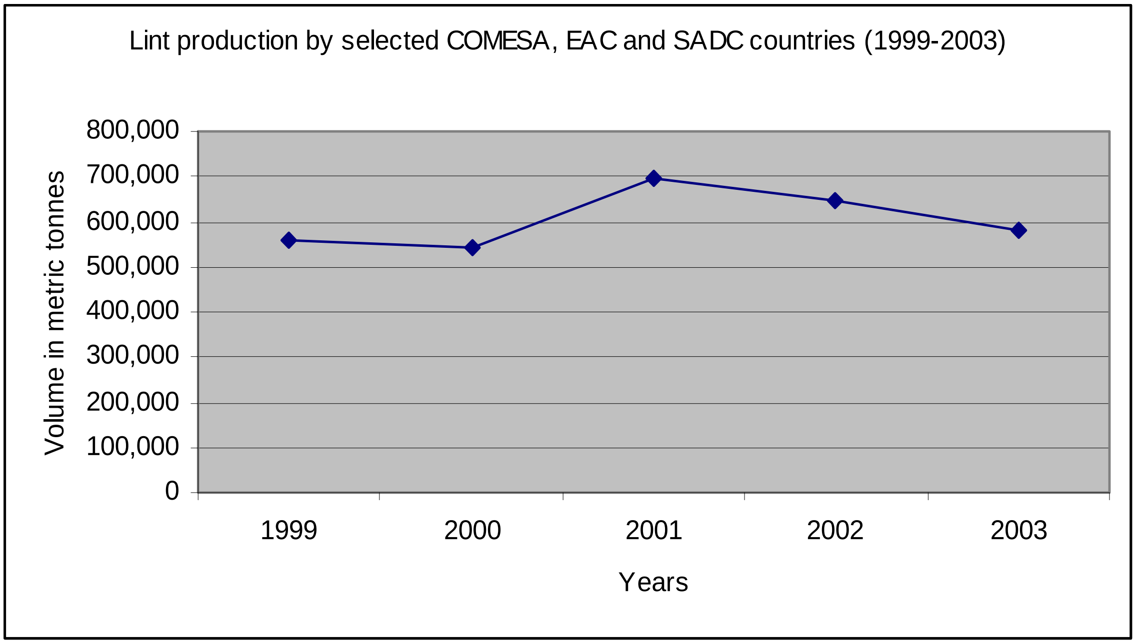
	Installed Capacity (per annum)	Utilized Capacity (per annum)	Capacity Utilization
Ethiopia	41,690	20,845	50%
South Africa	107,218	77,198	72%
Madagascar	60,000	12000	20%
Kenya	26,400	3,400	13%
Tanzania	332,351	85,436	26%
Malawi	80,000	44,000	55%
Zambia	220,000	172,105	78%
Zimbabwe	425,000	178,000	42%
Uganda	60,000	12,000	20%
Total	1,148,471	698,661	38% (Average)

Source: Country baseline reports

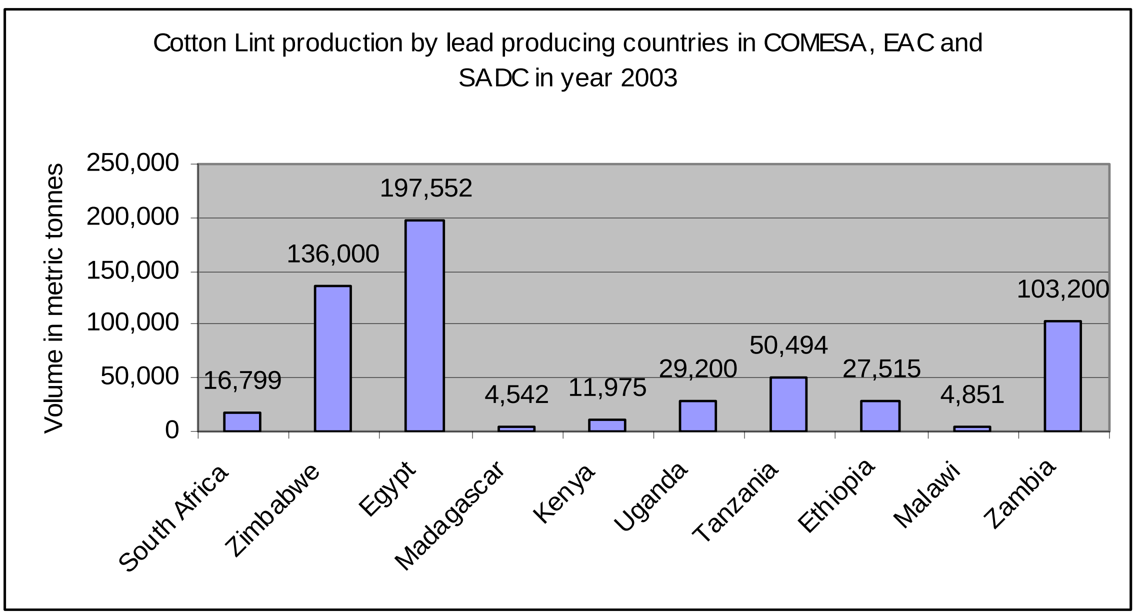
On average, however, only 38% of the installed capacity is currently in use, with Kenya having the lowest level of 13% and Zambia the highest at 78%.

Production pattern of cotton lint more or less follows the same pattern as cotton seed, having risen from 557,835 metric tones in 1999 to 582,128 metric tones in 2003. As shown the graph below, lint production peaked in 2001 to reach a volume of 645,370 metric tones.

[4] Mauritius baseline study did not report cotton lint production



The lead cotton lint producing country is Egypt, having produced 197,552 metric tones of cotton lint in year 2003, followed by Zimbabwe, Zambia and Tanzania.



In addition to the factors constraining cotton production as mentioned above, lint production is faced with high cost of utilities such as electricity (for example, accounting for about 40% of total variable cost in Kenya) resulting in the overall high cost of production. The supply of these utilities is also unreliable. The supply of raw seed cotton, of very low quality and whose supply is unreliable, is insufficient to meet the capacities of ginneries. Because of lower capacity utilization, the cost per unit is high.

Another problem at this level is the utilization of obsolete technology in all countries under review. In Kenya, for example, roller technology has been in use since 1935. There has been an inadequate investment in ginning technology partly because the volume of ginning is low to warrant any investment in modern technology whose initial investment cost is extremely high. Most ginneries also operate under crippling debts. These factors adversely impact on capacity utilization at this level. The greatest challenge in the region is how to attract investments in the cotton-lint-textile-apparel industry given this operating environment.

Other factors include lack of foreign currency to import spare parts for machinery maintenance and upgrading in countries facing acute shortage of convertible currencies such as Zimbabwe; financial constraints occasioned by high interest rates in the region (Kenya 15%-222%, Uganda 20%, Malawi 35%); lack of support from governments (most developed countries support cotton sectors) and thus making the industry uncompetitive visa-a-vis those receiving support; inadequate market information to farmers and ginners in most countries; and, the declining world prices.

2.3 Production of yarn, fabric and garments

Establishment of the total regional capacity for production of yarn and fabric was rather difficult because of the varying units of measurement used across the region, as evidenced in the table below. Cross country comparison was therefore not possible.

Table 2: Installed Versus Utilized Capacity

	Installed Capacity (per annum)	Utilized Capacity (per annum)	Capacity Utilization
Yarn			
South Africa (Spindles)	638,000	280,000-550,000	78-84%
Egypt (MT/yr)	197,809	146,680	74.2%
Madagascar (Spindle)	18,702	15,149	81%
Kenya (million sq. m)	30	20	67%
Tanzania (MT/yr)	64,355	26,841	41.7%
Malawi (square metres)	70,000,000	3,000,000	4.3%
Zambia (MT)	18,440	10,200	55.3%
Zimbabwe (MT)	39,000	27,000	69%
Mauritius (MT)	8,400	6,720	75-80%
Fabric			
South Africa (Looms)	2,780 Looms (weaving); 1860 machines (knitting); finishing	1,779 Looms (weaving); 1,190 machines (knitting); finishing	Average: 64%
Egypt (US$)	106,472	96,793	91 %
Kenya (sq. m)	115,000,000	83,000,000	72%
Tanzania (Linear m.)	234,069,600	143,560,971	61%

Malawi (sq.m)	60,000,000	0	0%
Zambia (Units)	28,000,000	6,088,400	22%
Zimbabwe (million sq meters	100	55	55%
Mauritius (sq. m)	186	158-186	85-100%

An assessment of level of capacity utilization shows south Africa and Mauritius as being in the lead, with capacity utilization of over 70% for both yarn and fabric production. Just like capacity data, production statistics could also not allow cross country comparison or establishment of the total regional production.

As is the case with installed capacity data, production data is also maintained in different units and, as evidenced in the table below, the data was not available in some countries.

Table 3: Yarn production

	1999	2000	2001	2002	2003
South Africa	90,030	93,241	94,637	98,093	86,739
Zimbabwe	25,000	27,000	28,000	20,000	27,000
Egypt	150,861	163,756	146,680	145,301[5]	143,922
Madagascar	6,100	5,726	4,776	1,727	3,743
Kenya (KShs [6]millions)	569	489	518	485	478
Uganda	NA	NA	NA	NA	NA
Tanzania	7,798	5,097	5,795	6,282	8,393
Ethiopia (million sq. m)	4,138	4,331	6,137	7,882	8,032
Malawi	NA	NA	NA	NA	NA
Zambia (sq. m)	12,900	14,500	11,106	11,350	16,478
Mauritius	NA	NA	NA	NA	NA

Source: Country baseline reports

As shown in the above table, yarn has over the years has recorded a general decline except in Ethiopia. The general decline in yarn production in some countries is attributed to a mixture of production and market constraints. High cost production, which makes the products internationally uncompetitive.

Other factors affecting production at this level of the value chain include: outdated and old machinery with resultant high maintenance costs; inadequate investments (for example in public enterprise in Egypt) that impact on the efficiency and quality of the yarn; reduced derived demand for yarn due to decline in consumer demand of products requiring yarn; high unit costs due to excess capacity; high taxation (for example in Tanzania); high cost of utilities (electricity tariffs in Kenya, Tanzania, Mauritius); and, high labour costs due to the use of old technology.

[5] Data for 2002 and 2003 not available. The data in this table was extrapolated using moving average method

[6] Volume data not available

In Mauritius, for example, loss of competitiveness has been due to rising labour costs (industry is labour intensive) resulting in reduced margins. This has occasioned many enterprises to close down. Mauritius is also hit by lack of skilled operators and declining labour productivity. High cost of utilities, for example electricity, water and waste management, impacts negatively on competitiveness of the sector in Mauritius. Yarn producers in Mauritius (and most of the countries under review) cannot therefore match low cost producers from Asia.

As is the case with Egypt, Kenya has a major problem of inadequate investment in yarn spinning (and fabric manufacturing to some extent) and poor technology, which leads to high cost of production and production of low quality fabrics. The high costs of production arise from high cost of electricity, high taxes and levies and, high cost of borrowing. The latter has implications on investments in the sector.

Whereas Zambia and Tanzania experienced a decline in yarn production between 1999-2002, a slight increase in production was recorded in 2003. In Tanzania, the government has taken measures to revive the textile industry by privatization of public sector mills and putting in place an incentive structure (such as tax holidays) to encourage investment. Similarly, Ethiopia has put in place incentive structure - availing land at reasonable prices, tax and custom duty exemption, establishing textile training centres for the development of requisite skills – to encourage investment and to improve labour productivity.

The table below gives trends of fabric production in the sample countries. In Ethiopia, Zambia and Malawi there was tendency towards stagnation. Production in Egypt and Tanzania, and more recently Kenya has been increasing. The stagnation in the fabric sub-sector's performance in Ethiopia may have been as a result of lack of private sector development in the past years. Fabric production in Ethiopia may thus increase with privatization and private investment in the country. Tanzania has also vigorously attempted to revive the textile sector through privatization. After unprecedented decline in Kenya's cotton-textile-apparel industry since the early 1990s, substantial interest in its revival has emerged. The interest has largely been stimulated by the market opportunity presented by the United States' African Growth and Opportunity Act (AGOA) of 2000 and the potential of the industry in poverty alleviation. Fabric production has been on slow but steady decline in RSA, but the country imports significant volumes of fabrics from mainly ESA countries.

Table 4: Fabric production, 1999-2003

	1999	2000	2001	2002	2003
South Africa	419.6	385.5	385.5	401.0	366.8
Zimbabwe(Million Sq. Meters)	70	70	50	55	60
Egypt MT	68,131	50,500	41,712	106,473	NA
Madagascar MT	19,398	18,167	15,455	4,140	9,349
Kenya (million sq metres)	20	16	15.5	27.5	47
Uganda (million Sq.	12	9	6	7	9

Meters					
Tanzania (linear metre – in millions)	17.1	18.6	23.9	27.5	34.5
Ethiopia (million sq. metres)	47.0	41.1	46.2	44.0	44.3
Malawi (MT)	2,929	3,075	NA	NA	NA
Zambia (Million Sq. Metres)	15	12	12	13	6.1
Mauritius	199.9	231.5	229.7	224.9	NA

Source: Country baseline studies

Fabric production faces similar constraints and challenges experienced at the level of yarn production in the region. These include: lower demand in the local market and lack of aggressive marketing internationally; insufficient throughput to achieve competitive results. For example, in Zimbabwe; obsolete machinery that hampers throughput and efficiency and thus leading to escalating costs; shortage of foreign currency required for the importation of yarn, consumables, machinery and machinery spare parts; poor quality of locally manufactured yarns (in countries like Zimbabwe, Madagascar, Zambia and other ESA countries); high cost of utilities (e.g. electricity, accounting for 15% of total costs for textile manufacturers - yarn, fabric - in Madagascar); lack of technological development; and, inappropriateness of financing (high cost of borrowing).

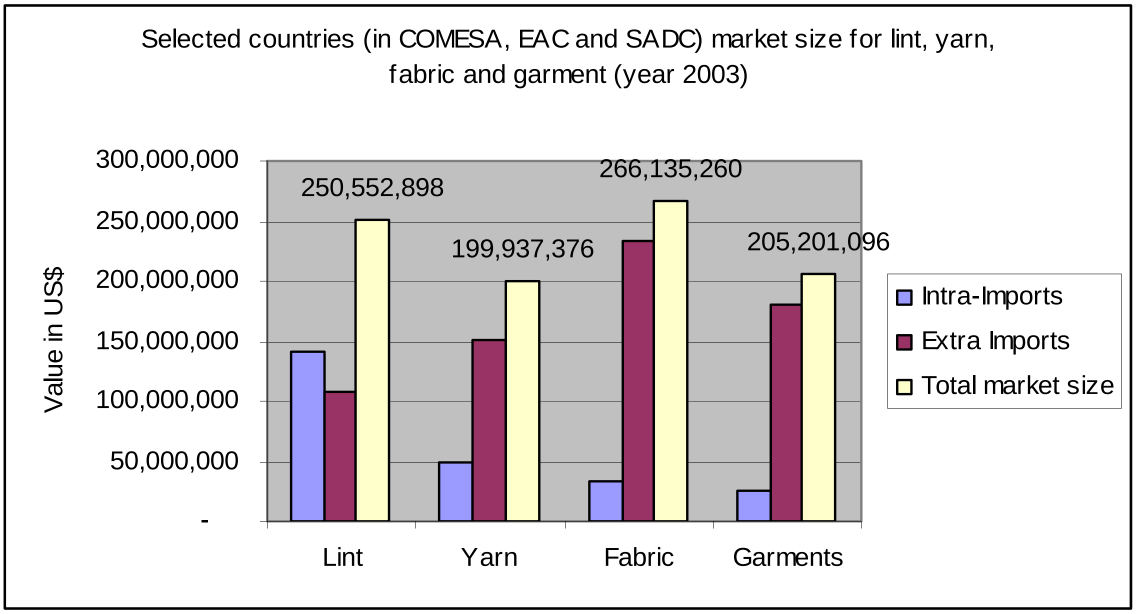
The textile and apparel sub-sector in region operates under stiff competition from imports of used (second-hand) clothes, counterfeit textile products, and from imports that are brought into the country through tax evasion. This sector is also affected by the inadequate supply of skilled labour. The challenge for regional countries' textile and garment producers is to become globally competitive in terms of costs and to establish niche markets for their products.

3.0 TRADE IN COTTON LINT, YARN, FABRIC AND GARMENTS AND REGIONAL MARKET POTENTIAL

3.1 Demand and supply situation

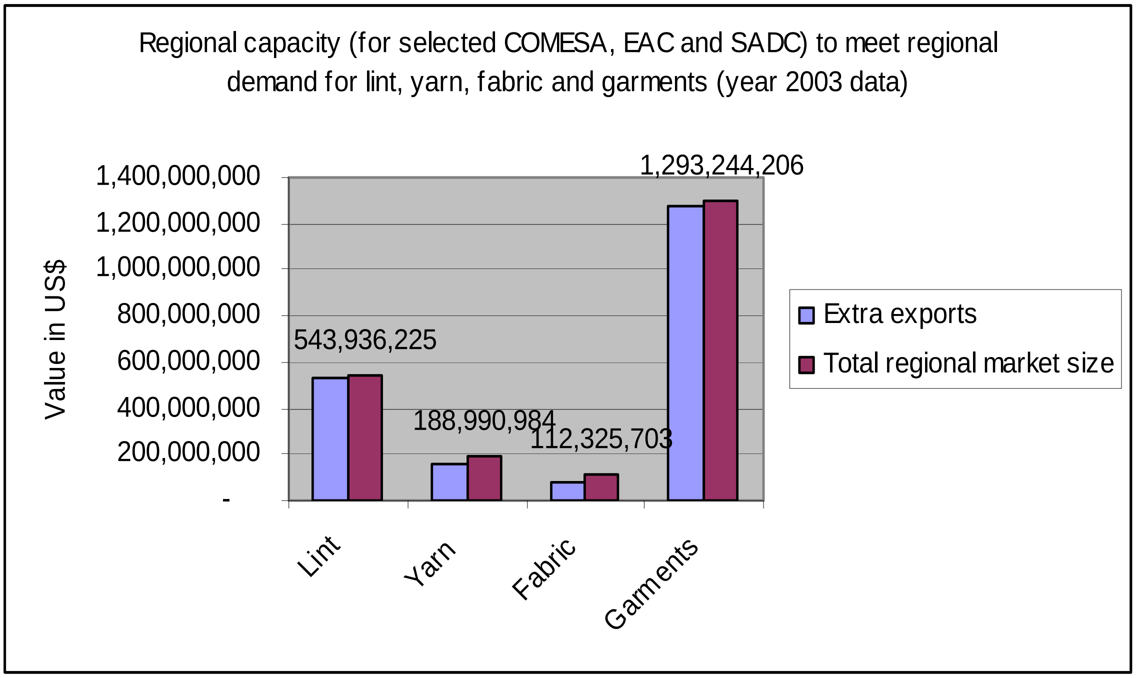
As already pointed above, poor regional data on production limits the possibility of estimating demand (up take) at various levels of the value chain. In absence of this data, total imports (defined as extra regional plus intra regional imports) were used as a proxy for demand. Ability of the regional supply to meet the demand was measured using extra regional exports as an indicator of this capacity.

Taking the data for year 2003 for purposes of assessing the demand supply situation, the bar chart below was plotted. Fabric led with a market size of US$266mn, followed by lint, garments and yarn with a total value of US$251mn, US$205mn and US$200mn respectively.



As evidenced in the bar chart, with exception of cotton lint where 57% of the total regional market size was sourced from the regional market, the story is different for the other products. Extra regional imports accounted for 75.6%, 87.5% and 88% of total regional market for yarn, fabric and garments, respectively.

Estimate of the regional capacity to meet the regional market requirement was established through analysis of the extra regional exports of cotton lint, yarn, fabric and garments. Using year 2003 data, the sample countries extra regional exports, if diverted to the local market were capable of satisfying 98.56% of these countries total lint requirements and 86.16%, 68.83% and 98.24% of total yarn, fabric and garments requirements, respectively. This picture is quite evident from the bar chart below.

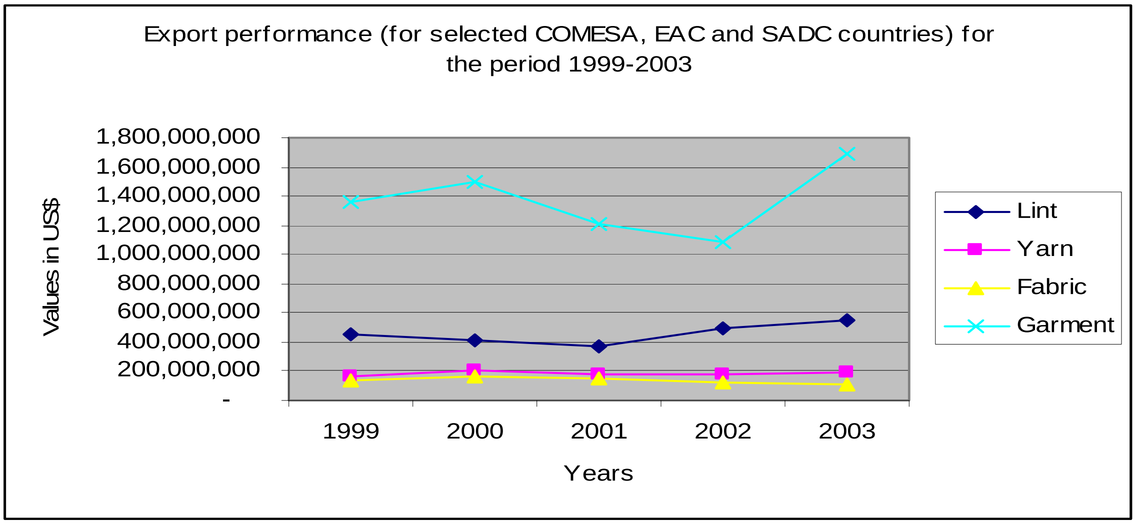


In making this deduction, we are aware that the target market for extra-regional exports is quite different from the ESA region's market. The assumption underlying the above analysis is that if the region was to focus on the revealed market potential, there is case for new investment to fill in the gap which is currently being serviced from extra-regional sources. These results also serve to show the horizon for future industrial development in the ESA region's cotton and textile sector, assuming that the region sustains its current market hold in the extra-regional markets.

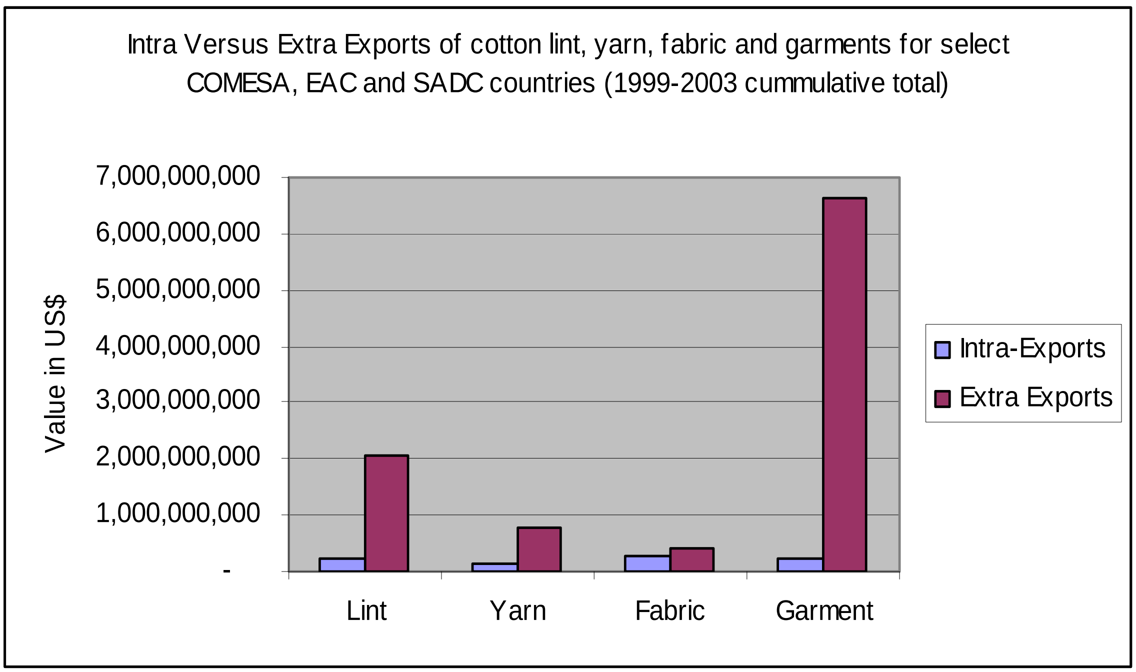
3.2 Export performance

Over the review period, lint and yarn exports tended towards stagnation, oscillating between US$372mn and us$554mn for yarn and US$172mn and US$212mn for fabric. The story is rather different for garments, where between 2000 and 2002 there was a substantial decline of about 27% before tremendous recovery in 2003 (from US$1mn in 2002 to US$1.7mn in 2003) where the value of garment exports was higher than 1999's. The countries behind this surge in exports, as can be seen in annex 2, were South Africa, Egypt and Madagascar.

Exports of lint recorded marginal decline between 1999 and 2001, before picking up gently on 2002 and 2003.



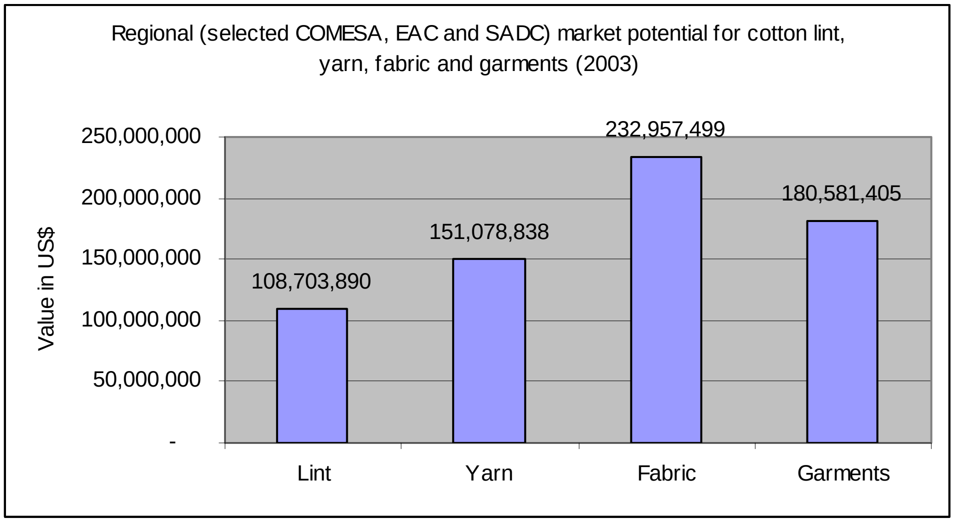
An analysis of intra vs extra regional exports as shown by the results in the bar chart below shows extra-regional markets as being the key movers of the cotton and textile sector export development in the sample countries.



Lead extra regional markets include USA, EU and rest of the world. This scenario shows the significance of the course for worry among cotton and textile industries in the ESA region that the global market developments, as explained in the introductory chapter pose a very serious threat to regional industries. In the short run, the regional market opportunity presents the most viable alternative that aught to be explored as strategies for sustaining the current global market share are formulated.

3.3 Regional market potential

The regional market potential for cotton lint, yarn, fabric and garments, which is proxied by extra-regional imports, is estimated, using 2003 data, at US$673million. The lead area of potential is fabric, followed by garments and yarn. The bar chart below provides details of the magnitude of the potential for each of these products.



4.0 TRADE POLICY AND REGULATORY FRAMEWORK

4.1 COMESA and EAC Trade Regimes

The trade regime under which cotton and textile is being traded in COMESA, EAC and SADC is already defined by the regional integration programs being pursued in these three regional trading blocks.

In COMESA the tariff regime is confined to intra regional trade where goods sourced intra-regionally are charged no duty for trade among the following 11 countries that have acceded to the COMESA Free Trade Area Arrangement: Kenya, Malawi, Zambia, Zimbabwe, Egypt, Djibouti, Madagascar, Mauritius, Rwanda, Burundi and Sudan. For Non FTA COMESA countries that tariff regime entails application of preferential tariff in form of percentage reduction on tariffs that are applicable to third countries. Tariff reduction commitment for Non FTA COMESA countries is as follows: -

- **Comoros, Eritrea and Uganda** 80% reduction
- **DR Congo** 70% reduction
- **Ethiopia** 10% reduction

Therefore, cotton and textile trade among COMESA FTA countries does not attract any import duty; while preferential tariff are extended cotton and textile originating from Non FTA COMESA at the above rates which these countries have committed themselves to.

In EAC, tariff regime is defined in the EAC Customs Union which came into effect on 1st January 2005. It entails a Common External Tariff duty structure of 0% for raw material, 10% for intermediate and 25% for final products. For intra-regionally traded products, Kenya's imports from Uganda and Tanzania attract no import duty, while Uganda and Tanzania's imports from Kenya attract some import duty that is to reduce gradually to zero by year 2009. The specific tariffs for cotton and textile trade in EAC region are detailed in section 4.2 below.

A most important to note, especially in this paper where intra-regional trade is seen as a very vital factor to promotion of a regional value chain for cotton and textile is lack of harmony of the trade regimes in the three trading blocks. There is no institutional understanding on how to forge convergence of regional tariffs in a bid to encourage trade among the member states.

In addition to access the preferential tariffs in COMESA, EAC and SADC, cotton and textile products, as in deed all other traded products require proof that they originate from these countries.

In both COMESA Preferential duties are extended only after proof that commodities meet the Rules of Origin criteria as provided under Article 4(1) (e) of the COMESA Treaty and under the provisions of the EAC Rules of Origin.

The COMESA and EAC Rules of Origin are therefore the basis for according market access to COMESA or EAC originating products. The Rules of Origin thus serve as a determinant of where a product is made and the minimum percentage of inputs contained therein from member States.

There are five Rules of Origin and at least one of them must be complied with for any goods to qualify for COMESA tariff treatment.

The Rules are:

1. Goods wholly produced or obtained in a member state (that is no material outside the common market has been used).
2. Goods produced in the member states and the C.I.F value of any foreign materials used (that is non-COMESA/EAC) does not exceed 60% of the total cost of all materials used in their production.
3. Goods produced in member states whose value added resulting from the process of production accounts for at least 35% of the factory cost of the goods.
4. Goods produced in member states and are classified or become classified under a tariff heading other than the tariff heading under which they were imported.
5. Goods of particular importance[7] to the economic development of the member states and containing not less than 25% value added not withstanding the provision in 3

Both COMESA and EAC rules of origin uphold the principle of cumulative treatment which is seen as a critical provision in facilitating integration of the cotton and textile value chain. This principle stipulates that 'raw materials or semi-finished goods originating in any of the Partner States and undergoing working or processing either in one or more Partner States shall for purpose of determining the origin of the finished product be deemed to have originated in the Partner State where the final processing or manufacturing takes place' (EAC and COMESA Rules of Origin Protocols).

In SADC, the main objective of Rules of Origin is to encourage industrial development leading to a two-stage transformation process which demands more added values. The rules of origin are product specific on some goods, while general on other goods.

The agreed general rule is the two-stage transformation or double tariff change. The two-tariff change rule applies to Mauritius, SACU and Zimbabwe. Malawi, Mozambique, Tanzania and Zambia (MMTZ countries) were granted the one-stage tariff change for a period of five years subject to quotas for their exports into SACU.

However, the most important in the context of the negotiations on Rules of Origin were textiles and clothing products of Chapters 50 to 63 which were of great interest to Malawi and the other less developed Member States. As a result the MMTZ countries have been granted quotas to access the SACU market for cotton and textiles at the following tariff rates, which reduce gradually to 0% by year 2007.

[7] Applies in COMESA only.

Table 5: Duty phase down in SACU for import from MMTZ SADC countries

	Normal Rate	2003	2004	2005	2006	2007
Polyester Fibres	7.5%	0	0	0	0	0
Cotton Fibre	160c/kg	30c/kg	0	0	0	0
Other Fibres	Free	0	0	0	0	0
Yarns	15%	4%	0	0	0	0
Woven Fabrics	22%	9%	5%	0	0	0
Knitted Fabrics	22%	9%	5%	0	0	0
Household Textiles	30%	14%	10%	6%	0	0
Clothing	40%	20%	15%	10%	5%	0

Source: RSA Country baseline study report

A key assumption in the rules of origin is that the Partner States have capacity to produce raw material required for production of finished products. The structure of cotton and textile industry in the region reveals the contrary. Recent development in this sector has been stimulated by the opportunity under AGOA, which allowed for duty free access for apparel produced using third country fabrics. Under the current COMESA and EAC rules of origin, such products can only trade in the regional market at tariffs ranging between 25% and 80%, while accessing the USA market at 0%! There is, therefore need to evaluate the rules of origin, taking cognizance of industrial production capacity across the cotton and textile value chain and come up with value a addition criterion that is supportive of gradual industrial development targeting the regional market. For instance if the region does not have sufficient capacity to produce all required fabric to meet the regional demand for apparel, then for a limited period, apparel made from third country fabrics could also be allowed into the COMESA, EAC and SADC market duty free. Such a policy could be implemented hand in hand with an aggressive program for growing cotton seed and ginning/weaving sector improvement. Once the region attains the required capacity, the current rule of origin could then be applied.

Another important element of the COMESA and EAC trade regimes is the disallowing of imposition of arbitrary measures, such as import restrictions to prevent market access, unless such action is approved by the council of ministers under the safeguard clause of the Treaty.

In addition to the tariff regime which has been covered above generally, there are other trade regulatory requirements which are equally important factors that influence the regional trade in cotton and textile. These include SPS requirements for cotton seed and cotton lint (BT cotton policy and pest and plant disease declarations), non tariff charges, and regulations on regional market access for products that are produced under trade related investment schemes such as EPZs and customs regulations. In the following section each of these regulations are discussed in detail; the section also analyzes the implications of these regulations on prospects for intra-regional trade in cotton and textile across the entire value chain.

4.2 Cotton and textile trade policies and regulations in EAC, COMESA and SADC countries

4.2.1 Import duties on intra-regionally and extra regionally sourced cotton, textile and apparel

Import duties and quotas have over the years been the most prevalently used trade policy instruments to regulate trade in cotton and textiles. In the sample countries, however, import duty has been the main policy tool that has been used to regulate trade in these products. The only exception to this has been exports of selected SADC countries (Mozambique, Malawi and Tanzania) to SACU where duty free quotas were applied at the start of implementation of the SADC Free Trade Area in 2003.

The table bellow gives a detailed breakdown of tariff on lint, yarn, fabric and apparel on imports by each of the 11 countries from COMESA, EAC, SADC and other countries. Other countries refer to countries which do not belong to the same trading block as any of the 11 countries. Where a country does not extend preferential tariff to members of a specific trading block, Na has been used to show that preferential tariff arrangement is not available.

Table 6 Import Duties and Non-Tariff Charges on Cotton Lint in the Region

Imports from	Importer country									
	RSA	Zim	EGY	Mad	KE	UG	TZ	ETH	Mal	Zam	Maur
Cotton Lint											
COMESA	Na	0%	0%	0%	0%	0%	0%	9%	0%	0%	0%
EAC	Na	Na	Na	Na	0%	0%	0%	9%	Na	5%	Na
SADC	0%	0%	5%	Na	0%	Na	0%	Na	5-25%	Na	0%
EU	160c/kg; 15%	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
Other Countries	160c/kg; 15%	0%	5%	5-15%	0%	0%	0%	10%	5-10%	5%	0%
Yarn											
COMESA	Na	0%	0%	0%	0%	4%	Na	18-31.5 %	1-4%	0%	0%
EAC	Na	Na	Na	Na	0%	10 %[8]	0%	18-31.5 %	Na	Na	Na

[8] Under the EAC Customs Union protocol, Uganda imports of cotton yarn from Kenya attracts 10% with effect from 1January 2005, gradually reducing to 0% year 2010. Uganda imports of cotton yarn from Tanzania attract 0%.

Imports from	Importer country										
	RSA	**Zim**	**EGY**	**Mad**	**KE**	**UG**	**TZ**	**ETH**	**Mal**	**Zam**	**Maur**
SADC	0%	5%	12%	Na	Na	Na	10-15%	Na	0-25%	10%	0%
EU	10%	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
Other Countries	15%	25%	12%	5-15%	10-50%	10-50 %	10-50%	20-35%	5-25%	15%	0%
Fabric											
COMESA	Na	0%	0%	0%	0%	6%	Na	18-31.5 %	5%	0%	0%
EAC	Na	Na	Na	Na	0%	10 %[9]	5-25%[10]	18-31.5 %	Na	15%	Na
SADC	5%	5%	22%		Na	Na	10-25%	Na	25%		0%
EU	0-15%	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
Other Countries	22%	25%	22%	5-15%	25%-50%[11]	25 %-50 %	25%-50%	20-35%	25%	15%	0%
Apparel											
COMESA	Na	0%	0%	0%	0%	6%	Na	18-31.5 %	1-12%	0%	0%
EAC	Na	Na	Na	Na	0%	10 %[12]	5%[13]	18-31.5 %	Na	Na	Na
SADC	0-15%	25%-77	40%	Na	Na	Na	15-25%		0-25%	10%	0-16% and 0-48%[14]
EU	0-15%	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na

[9] Under the EAC Customs Union protocol, Uganda imports of fabric from Kenya attracts 10% with effect from 1January 2005, gradually reducing to 0% year 2010. Uganda imports of woven fabrics of cotton from Tanzania attract 0%.

[10] Under the EAC Customs Union protocol, Tanzania imports of woven fabrics of cotton from Kenya attracts 5% to 25% with effect from 1January 2005, gradually reducing to 0% year 2010. Tanzania imports of cotton fabric from Uganda attract 0%.

[11] Import duty of 50% is only applicable to *Khanga, Kikoi and Kitenge's (HS51115110, 52121510 and, 52122510),*

[12] Under the EAC Customs Union protocol, Uganda imports of selected apparel (women or girls briefs, men or boys shirts etc) from Kenya attracts 10% with effect from 1January 2005, gradually reducing to 0% year 2010. Uganda imports of the same products from Tanzania attract 0%.

[13] Under the EAC Customs Union protocol, Tanzania imports of apparel of cotton from Kenya attracts an import duty of 5% with effect from 1January 2005, gradually reducing to 0% year 2010. Tanzania imports of the same productsfrom Uganda attract 0%.

[14] Import duty of 0-16% is applicable on imports of apparel from SADC countries and 0-48% on imports of apparel from South Africa

Imports from	Importer country										
	RSA	**Zim**	**EGY**	**Mad**	**KE**	**UG**	**TZ**	**ETH**	**Mal**	**Zam**	**Maur**
Other Countries	22% to 40%	25%-77%	40%	15%	25%-50%[15]	25 %-50 %	25%-50%	35%	25%	25%	80%

Source: Country baseline study reports

An ideal situation that would be supportive of the concept of a regional value chain in cotton and textile would be where all the eleven countries extend preferential duty, preferably 0% to imports from COMESA, EAC and SADC member countries. This situation merely remains idealistic as shown by the disparity of import duties on intra-regionally sourced cotton lint, yarn, fabric and apparel. There is no policy among these three regional integration blocks to harmonize their tariffs in a bid to foster regional trade in cotton and textile, as well as trade in other products. At the moment for instance SADC countries that are not in COMESA (e.g South Africa) would import cotton lint from COMESA and EAC at 160c/Kg or 15% (which ever is higher), yarn at 15%, fabric at 22% and apparel at between 22% and 40%. As evidenced in the above table, these rates are much higher[16] than the rates which South Africa imports same products (except lint) from the European Union (EU).

The table shows that even within a trading block such as COMESA, there is still disparity as a result of the tariff applied on imports from Non FTA countries. In COMESA for instance, lint, yarn, fabric and apparel attracts 0% if sourced by an FTA country from another FTA country and up to 9% (lint) and 31.5% (fabric and apparel) if sourced from non FTA countries such as Ethiopia. COMESA countries are yet to come up with common external tariff on cotton and textiles, as well as other products. As a result there lacks a regional policy on how to hedge the sector from external competition. At the moment, external tariffs vary across the member states, with some having as high a tariff on apparel as 80% while in others it is as low as 15%. Development of a regional value chain would require that these countries chart out a common external tariff that is supportive of the region's cotton and textile industrial development based on exploitation of intra-regional market potential.

In the EAC, all imports of cotton and textile by Kenya from Tanzania and Uganda attract zero import duty. Kenya's exports of the cotton and textile items that are listed in annex 7 attracts duty ranging between 10% in Uganda and 5 to 25% in Tanzania, in both cases reducing to 0% over a five year period to 2010. Cotton lint is one of the few items which Kenya can exports to Uganda and Tanzania at an import duty of 0%.

Unlike both COMESA and SADC, EAC has already established a common external tariff on cotton and textile. Cotton lint is classified as raw material and thus, as detailed in the

[15] Import duty of 50% is only applicable to apparel made from *Khanga, Kikoi and Kitenge's (HS62114290, 62114310 and 62114910),*

[16] South Africa has a trade agreement with the European Union which provides for preferential tariffs on trade between the two parties.

table below attracts an import duty of 0%. Yarn is classified as an intermediate input and therefore attracts an import duty of 10%. Woven Fabric and Apparel is considered as finished and attracts an import duty of 25%. There are, however, a few products that have been classified as sensitive. These are attracting a duty of 50%.

Table 7: EAC Common External Tariff on cotton lint, yarn, fabric and garments

Cotton, textiles and garments		
Cotton not carded or combed.	5201	0%
Cotton carded or combed.	5203	0%
Cotton Yarn	5205,5206, 5207	10%
Woven Fabric of Cotton	5208,5209, 5210, 5211 and 5212	25%
Sensitive products under Chapter 52		
Woven Fabric (Khanga, Kikoi and Kitenge)	52085110	50%
Woven Fabric (Khanga, Kikoi and Kitenge)	52095110	50%
Woven Fabric (Khanga, Kikoi and Kitenge)	52121510	50%
Woven Fabric (Khanga, Kikoi and Kitenge)	52122510	50%
Knitted or crocheted fabrics	6001, 6002, 6003, 6004, 6005, 6006	25%
Articles of apparel and clothing accessories, knitted or crocheted	6101, 6102, 6103, 6104, 6105, 6106, 6107, 6108, 6109, 6111, 6112, 6113, 6114, 6115, 6116, 6117	25%
Articles of apparel and clothing accessories, not knitted or crocheted	6201, 6202, 6203, 6204, 6205, 6206, 6207, 6208, 6209, 6210, 6211, 6212, 6213, 6214, 6215, 6216, 6217	25%
Sensitive products under Chapter 62		
Khanga, Kikoi and Kitenge	62114210	50%
Khanga, Kikoi and Kitenge	62114310	50%
Khanga, Kikoi and Kitenge	62114910	50%
Other made up textile articles; sets; worn clothing and worn textile articles; rags	6301, 6302, 6303, 6304, 6305, 6306, 6307, 6308, 6309, 6310	25%
Bed linen, table linen, toilet linen and kitchen linen of Cotton	63022100	50%
table linen of cotton (knitted or crocheted)	63022100	50%
Toilet linen and kitchen linen of terry toweling or similar fabrics (other) of cotton	630291100	50%
Mosquito net	63049110	0%
Worn clothing and worn textiles (all classified as sensitive)	US$0.75 per kg or 50% which ever is higher.	50%

The tariff structure for cotton and textile in the EAC region presupposes existence of sufficient capacity in Uganda and Tanzania for yarn, fabric and apparel, hence the need for protection against imports from Kenya. Information available on installed and utilized capacity does not however seem to support this argument. In the three countries, there is under capacity utilization of the installed capacities, which has very little to do with intra-regional trade. Besides, trade potential estimates shows countries outside EAC, COMESA and SADC as being the main threat not just to the two countries but the entire region. Imports from these countries are well over 70% of these countries total imports of cotton and textiles.

Recommendations

1. *In view of existence of the potential for the region to trade in cotton and textile, there is need for a joint COMESA, EAC and SADC regional cotton and textile industrial policy.*
2. *Pursuant to the stipulation of such an industrial policy and in the interest of promoting regional value chain that strands the entire ESA region, COMESA, EAC and SADC should open talks on harmonizing tariffs on lint, yarn, fabric and apparel, to allow intra regional trade in these products to take place.*
3. *In the meantime, as the three regional blocks consider the above recommendations, there is an urgent need for COMESA and EAC to ensure that duty on intra-regionally traded lint, yarn, fabric and apparel is zero rated. Any exception to this proposal should be supported by evidence of existing capacity of an industry in the region to meet the regional demand of lint, yarn, fabric or garment.*
4. *In view of the stage of the cotton and textile industrial development, there is need for the COMESA and EAC rules of origin to allow apparel made from third country fabrics to access the regional market at preferential tariff rate. Such policy to be tied to a regional program for development of the fabric segment of the value chain.*
5. *COMESA, EAC and SADC need to spell out a regional common external tariff that is supportive of the region's policy on the development of cotton and textile sector.*

4.2.2 Non tariff charges

The main non tariff charge on imports of cotton and textile, as well as most other products in the sample countries is Value Added Tax. This tax is allowable in international trade because it is considered as a domestic tax. It however has an effect similar to import duty as it renders the import to be more expensive.

Table 8: Other charges

Imports from	RSA	Zim	Egypt	Madaga[17]	Kenya	UG	TZ	Ethiopia	Mal	Zam	Maur
VAT	15%	15%	10%	20%	16%	17%	20%	15%	17.5%	17.5%	15%

In addition to VAT, the sample countries had myriad of other charges ranging from Pre-shipment inspection fees of 2.75% of the cif value of the imported products to customs

[17] Very few items under the category of cotton lint, yarn and fabrics attract customs duties. Non-tariff costs (although not given) apply to manufacturing, various documents required for shipping (including related procedures) and other numerous small obligations to be complied with.

ware housing charges, cargo handling charges etc. All these charges were cited by respondents as undermining competitiveness of the region's products.

Recommendations

1. *Imports of lint, yarn and fabric should be exempt from VAT in a bid promote competitiveness of the textile and apparel companies*

2. *Rationalize non tariff charges with the idea of allowing non tariff charges that are permissible under the WTO General Agreement of Trade and Tariffs (GATT)*

4.2.3 Regulations on regional market access for products that are produced under trade related investment schemes such as EPZs

Cotton and textile products are among products which are currently being produced under export promotion schemes in the region. A regional scan on such schemes revealed the following as some of the schemes under which some of the cotton and textile products are produced – Export processing zones (EPZ) that provide tax exemptions and tax holidays to exporters; duty drawback schemes; manufacturing under bond (MUB); import VAT deferment schemes; customs bond guarantee scheme; duty credit scheme (practised in RSA); and, general fiscal incentives geared towards promotion of investments.

The duty draw back entitles a manufacturer in the respective country to claim a refund of part or all of the duty paid on some raw materials used to process products that are re-exported. Such refund comes from the revenue authorities. This policy instrument exists in order to lower the cost of raw materials and hence encourage industrial production in the country and also make the product competitive on the international market.

Under the South Africa duty credit certificate scheme, exporters of certain textiles and clothing companies can earn duty credits based on exports of these products during the specified twelve-month period, to import certain prescribed textiles and clothing free of duty. This scheme is only available to small and medium enterprises that have an annual turnover less than R25m, total asset value less than R5m and less than 200 employees.

The import VAT deferment scheme is a scheme, which gives a registered taxpayer a tax relief provided the goods imported, fall in the approved goods list. The deferment scheme is meant to provide cash flow advantage to businesses and immediately free their resources for operation. No import VAT is charged on deferred goods and materials and this means that there can be no claim as input VAT against the same. However, one can claim input tax on other goods and materials, which are not affected by the deferment.

The key concerns, in the context of the effort of promoting regional value chain, support through enhanced intra-regional trade are as follows: -

- In EAC, products from EPZ companies are treated as originating from third countries, thus they are not granted preferential tariff treatment. Import duties similar to that levied on cotton and textile products from non-EAC member States is applied on products originating from any member States EPZ companies. This policy is however at variance with COMESA's policy where products from EPZ companies are allowed to access the regional market on preferential terms if they meet any of the five rules of origin criteria. SADC policy on this exports is not clear.

- In all COMESA and EAC countries, only very limited products from EPZ's are allowed to be sold in the domestic market. Given that some of these companies could be producing products such as high quality fabric, this policy limits integration of domestic value chain between the local EPZ companies and other domestic companies. Given the special nature of the cotton and textile sector, there is need for this policy to be reviewed in a bid to promote this linkage.

Recommendations

COMESA, EAC and SADC needs to: -

1. *Harmonize their policy on intra-regional trade of products originating from EPZ schemes and other trade related investment schemes.*
2. *Increase the volume of EPZ products (this could be limited to intermediate products such as lint, yarn and fabric) allowed into the domestic market. A formula for leveling the play ground for non EPZ producing similar products for the domestic market would be required as an integral part of this policy.*

4.2.4 Sanitary and Phytosaniary Requirements

In all sample countries, cotton seed and lint are subjected to SPS regulations which require that prior to importation of these products a plant import permit be obtained. One of the key declaration conditions that features in these permits in GMO restriction. In all the 11 countries, only South Africa has a GMO policy and it produces BT Cotton, which the other countries would not, under the SPS regulations allow to access their market. Therefore, while other declaration conditions such as plant disease and pests can be controlled in order to allow the exporting country meet the import country SPS Authority's requirement, GMO policy will remain a key challenge to the development of the cotton and textile sector in the ESA region.

Recommendation

1. *The SPS Authorities in COMESA, EAC and SADC need to come up with a regional policy on BT Cotton, especially. The motivating factor for such a move should be the current challenge which the sector is facing as a result of expensive fabric that is associated with current high cost of cotton production and imminent threat from cheaply sourced fabric and garments.*

4.2.5 Customs Regulations and Procedures for Import/Export Trade

In COMESA and EAC, customs clearance procedures have been greatly eased by the introduction of a single entry document (SED) which replaced numerous customs forms that were cumbersome and difficult for traders. Although the SEDs have been adopted from the model COMESA Customs Document (COMESA CD), the level of details varies across the countries.

Other mandatory requirements during customs clearance in each of the eleven countries are as summarized in the table below.

Table 9: Summary of Customs Clearance Requirements for Cotton and Textile Imports/Exports in the Region

	RSA	**Zim**	**Egypt**	**Mad**	**KE**	**UG**	**TZ**	**ETH**	**Mal**	**Zam**	**Maur**
Single Entry Document (SED)	√	√	√	√	√	√	√	√	√	√	√
Import Declaration Form (IDF)		√		√	√		√	√	√		
Pre-shipment Inspection (for Customs Clean Report of Finding – CCRF)				√	√[18]	√	√	√		√	√
Phytosanitary Certificate (for seed, seed cotton and cotton lint)	√	√	√	√	√	√	√	√	√	√	√
Certificate of origin	√	√	√	√	√	√	√	√	√	√	√

Source: Country baseline study reports

As is evinced in the table above, these requirements vary across the eleven countries. The following is a summary of concerns on customs clearance procedures as documented during field survey.

- The requirement for pre-shipment inspection on regionally sourced cotton and cotton products should be done away with because the rationale for using PSI services is not valid in COMESA where duty on agricultural commodities is already too low or zero-rated. With it, the import declaration form and the fees should also be withdrawn.

- High fees charged by authorized forwarding agents for shipment or customs clearance. In Madagascar, forwarding agents charge about MGF 5.7 million for a 20-feet container weighing 12 tons. Further problems relate to warehousing fees

[18] Kenya is set to abolish PSI from mid this year.

(approximately MGF (50/kg/ day) if the shipment is delivered but some documents are missing.

Recommendations

i) *Requirements for customs documents to be lodged by licensed clearing agents should be reviewed, with the aim of making the requirement optional for agricultural consignments that are less than US$5000. This policy change should however be backed by extensive education of customs entry documents and procedures.*

ii) *Pre-shipment inspection should be eliminated for regionally sourced dairy products. Along with this policy measure, the requirement for IDF and IDF fees should also be phase out, for regionally sourced cotton and textile products, especially because IDF is merely a record of intention to import. Actual imports are captured through customs statistics.*

4.2.6 Export import controls/restrictions

In all the 11 countries, only in Tanzania was there a very elaborate export/import control applying only to cotton lint as follows

Requirements for Lint Exporters

- The exporters are required to show their financial ability endorsed by a reputable Bank/financial institution.
- The exporter are required to pay a non-refundable application fee of USD 100.
- The applicant must be a member of Tanzania Cotton Association.
- Successful applicants are issued with a license upon payment of USD 2,000 per annum or its equivalent.
- The licensed lint exported is required to obtain a valid export permit issued by TCLSB for each consignment of lint. The conditions for the issuance of the lint export permit are:
    1. Lint exporters must have valid seed cotton buying licenses, evidence of agency for seed cotton buying or ownership of lint.
    2. Lint quality certificate issued by the TCLSB for each consignment
- Exporters must perfect the export permit issued for each consignment and return to TCLSB within 14 days from the date of shipment failure of which no export permit will be issued.
- All lint exporters must register every sale of cotton lint with the Board within (7) days from the date of sale otherwise TCLSB will not issue any export permit for any contract not registered. The information should include the buyer's name, number of bales sold, and the type, price and delivery period.

  Customs authorities at the exit point endorse the export permit without which any lint export is not permitted.

Lint Importation Requirements

A Lint Import Permit issued by TCLSB is requirement for all lint importers. The Lint Import Permit application cost USD 100 while the Lint Permit costs USD 2,000. An Import Tax of 5 percent in the category of industrial raw materials is applicable to lint import.

Recommendation

1. *A regional lint quality certification mechanism is required in order to guarantee quality fabric from regionally traded cotton lint.*

4.3 Global perspective of cotton and textile trade

4.3.1 The impact of the end of the Multi-Fibre Agreement

Until 1994, global trade in textiles and apparel, unlike other products did not fall under the ambit of General Agreement on Tariff and Trade (GATT)[9] rules. Instead, it was regulated through protectionist policies that were embodied in several successive agreements geared towards protecting domestic industries of industrialized countries developing countries' exports of textile and apparel. The last of these agreements was the Multi- Fibre Agreement which came into effect on January 1, 1974.

In keeping with the stance of the agreements that preceded it, the MFA provided rules for the imposition of quotas, through bilateral arrangements or unilateral actions, when surges of imports caused market disruption, or the threat to the importing country.

On January 1 1995, the World Trade Organization (WTO) replaced the MFA with the Agreement on Textiles and Clothing (ATC). The primary aim of the ATC was to fully incorporate textiles and apparel into the WTO rules and disciplines. This was to be achieved through gradual process that would give importing countries a transition period to adjust their domestic sector to the new rules. The ATC sets out the conditions for the integration within a ten year period.

The three-phase integration of the products covered by the agreement will be achieved on January 1, 2005. The first stage, beginning of January 1, 1995, called for the integration of products comprising not less than 16 percent of the total volume of each member's 1990 imports of the products listed in the annex to the Agreement. The second stage, beginning on January 1, 1998, required the integration of a further 17 percent. The third stage, beginning on January 1, 2002, required that another 18 percent of imports be brought under normal GATT rules. At the end of the third stage, January 1, 2005, 49% or all remaining quotas on WTO members are to be eliminated (*Stephen Landes et al February 2005*). The process for integration of the cotton and textile formally came to an end on 1st January 2005.

[9] The GATT was the predecessor trade regime to the World Trade Organization (WTO)

A number of concerns on the expected impact of this development have been documented prior to the end of the ATC and soon after.

‘The elimination of all quantitative limits will profoundly alter the rules of the game to which apparel companies have adapted their strategies. However, the ATC originally did not cover the world's largest apparel exporter, namely China, which at the time the ATC was negotiated, although an observer, was not yet a member of the WTO. Indeed, it is China's membership in the WTO that is the challenge. When China became a member of the WTO, the United States was required to eliminate MFA quotas on Chinese textile and apparel exports in categories already integrated as it had already done for other WTO members. This elimination is the focal point of the concerns by most exporting countries. Many of these countries, including AGOA beneficiaries, fear that the elimination of quotas will cause a major shift in sourcing patterns to the detriment of smaller producers. Below, we will discuss the significance of the continuation of special safeguards on textile and apparel exports from China’ *Stephen Landes et al opcit (February 2005).*.

While developing countries should be enthusiastic for the implementation of the ATC, India, Egypt, Pakistan, and some Latin American countries are concerned that the removal of quotas and the impact of China in the WTO will actually harm their textile industries. First, countries that have preferential trade agreements with developed countries will lose the edge they had when they were granted higher quotas than their competitors. Once quotas are removed completely, market share will go to countries with the cheapest labor and the cheapest raw materials. Second, since China has arguably the cheapest labor and one of the strongest textile industries in the world, developing countries are concerned that their products will not be able to compete in the global marketplace if China can export without limit. Even with quotas, Chinese textiles have ballooned on the US market, taking 30-40% of the market share in areas like brassieres and dressing gowns.

The main hope for textile producing countries is that the US, and other developed nations, will take advantage of an exception in the ATC that allows for 'safeguard' tariffs to be placed on Chinese textile goods until 2008 as a mitigating measure for market disruptions. China agreed to the exception as a way to assuage fears that its accession would harm WTO members. The US has been the first country to announce its intention to place tariffs on textiles from China in 2004, and again in 2005. For developing countries, this exception will provide a three-year window to take advantage of the quota-free trading environment and win precious market share in the US and EU before China is able to fully compete.

The other important global dimension to cotton and textile development in the COMESA, EAC and SADC region is the USA Africa Growth Opportunity Act (AGOA). The AGOA seeks to establish a new, more progressive economic policy for Sub-Saharan Africa. The AGOA legislation, among other things provides duty-free and quota free access to the U.S. market for apparel fully assembled in eligible Sub-Saharan African countries from U.S. yarn, thread and fabric, wool sweaters and apparel made from yarns and fabrics in short supply in the United States regardless of their origin. In addition, duty free access is allowed for fabrics, made-up goods and garments that are hand-loomed, hand woven or certified as being folkloric or ethnic in nature (*Stephen Landes et al opcit February 2005*).

4.3.2 Africa Growth Opportunity Act

The original AGOA (AGOA I) allowed for exports of apparel incorporating fabrics knitted or woven in eligible Sub-Saharan African countries from yarns spun in Sub-Saharan Africa or the United States[10] The Trade Act of 2002 (AGOA II) clarified and expanded the trade opportunities for Sub- Saharan African countries and encouraged more investment in the region. AGOA II substantially expanded preferential access for imports from beneficiary Sub-Saharan African countries incorporating Sub-Saharan African produced yarns and fabrics. It allowed the preference level for apparel incorporating Sub-Saharan African formed fabrics and U.S. or Sub- Saharan African spun yarns to increase from 3 percent in AGOA year 3 to 7 percent in AGOA year 8. AGOA II, however, did not increase the cap for apparel assembled in lesser-developed beneficiary countries from third country fabric (fabric formed outside the United States or a Sub- Saharan African beneficiary country). This created an effective sub-limit for apparel incorporating third country fabrics meaning that they could use a portion of the overall cap.

The AGOA Acceleration Act of 2004 (AGOA Ill) extended the overall program from 2008 until 2015. It also extended for three years or until September 30, 2007, the sub-limit on third country fabric. However, during the third year of the program, the sub-limit will be reduced by fifty percent before being completely phased out.

AGOA III also included a statement of Congressional policy that textile and apparel provisions under the program should be interpreted in a broad and trade-expanding manner to maximize opportunities for imports from the Sub-Saharan African beneficiary countries, accompanied by minor technical corrections to reverse restrictive interpretations by the U.S. Customs Service.

AGOA III also expanded the current "folklore" AGOA coverage to include machine-made ethnic printed fabric made in Sub-Saharan Africa or the United States. Congress recognized the fact that many mills are established in Sub-Saharan Africa to produce for the ethnic African market. It also recognized that the initial emphasis on hand loomed fabrics did not relate to the African reality since most ethnic fabrics were produced on modern looms. These fabrics are of the design, dimension and texture that do not compete with traditional apparel fabrics and made- up goods, e.g. sheets, pillowcases, tablecloths, wall decorations, produced in U.S. mills.

Enactment of AGOA I, II and III provide significant opportunities for apparel exporters from Sub- Saharan African countries (*ibid).*

[10] A rule of origin requiring fully assembled apparel to incorporate fabric formed (woven or knitted) in a specific area and produced from yarns spun in a specific area is known as a yarn forward rule. A rule of origin requiring only the fabric to be formed in a specific country without any similar requirement on the yarn is known as a fabric forward rule. Apparel that is fully assembled without any requirement as to the origin of the yarn or fabric which it incorporates is known as a single transformation rule.

4.3.3 The EU-ACP Economic Partnership Agreements and Every Thing But Arms Program

Under the current trade regime which is contained in the Cotonou Partnership Agreement, the 77 Africa Caribbean and Pacific (ACP) countries are exporting cotton, textile and apparel (as in deed other products) to the EU on duty free and quota free basis. This situation is expected to come to an end on 31st December 2007, when ACP countries are required to have negotiated a new trade regime with the EU. For Least Developed Countries (LDCs) they will continue accessing the EU market even after 31st December 2007 under the unilateral preferential tariff program referred to as 'Every Thing But Arms'. It is advisable for LDCs to seek access to the EU market through a negotiated Agreement (Economic Partnership Agreements that are provided for in the CPA) rather than the unilateral preferential tariff program, whose future and commodity composition can be altered without reference to the beneficiary LDCs.

5.0 PROPOSED POLICY RECOMMENDATIONS FOR ENHANCING REGIONAL AND EXTRA REGIONAL TRADE IN COTTON AND TEXTILES

5.1 Import duties on intra-regionally and extra regionally sourced cotton, textile and apparel

i) In view of existence of the potential for the region to trade in cotton and textile, there is need for a joint COMESA, EAC and SADC regional cotton and textile industrial policy.
ii) Pursuant to the stipulation of such an industrial policy and in the interest of promoting regional value chain that strands the entire ESA region, COMESA, EAC and SADC should open talks on harmonizing tariffs on lint, yarn, fabric and apparel, to allow intra regional trade in these products to take place.
iii) In the meantime, as the three regional blocks consider the above recommendations, there is an urgent need for COMESA and EAC to ensure that duty on intra-regionally traded lint, yarn, fabric and apparel is zero rated. Any exception to this proposal should be supported by evidence of existing capacity of an industry in the region to meet the regional demand of lint, yarn, fabric or garment.
iv) In view of the stage of the cotton and textile industrial development, there is need for the COMESA and EAC rules of origin to allow apparel made from third country fabrics to access the regional market at preferential tariff rate. Such policy to be tied to a regional program for development of the fabric segment of the value chain.
v) COMESA, EAC and SADC need to spell out a regional common external tariff that is supportive of the region’s policy on the development of cotton and textile sector.

5.2 Non tariff charges

i) Imports of lint, yarn and fabric should be exempt from VAT in a bid promote competitiveness of the textile and apparel companies

ii) Rationalize non tariff charges with the idea of allowing non tariff charges that are permissible under the WTO General Agreement of Trade and Tariffs (GATT)

5.3 Regulations on regional market access for products that are produced under trade related investment schemes such as EPZs

i) COMESA, EAC and SADC needs to work out a formula for accommodating imports from trade related investment promotion schemes into the regional market.

5.4 Sanitary and Phytosaniary Requirements

i) The SPS Authorities in COMESA, EAC and SADC need to come up with a regional policy on BT Cotton, especially. The motivating factor for such a move should be the current challenge which the sector is facing as a result of expensive fabric that is associated with current high cost of cotton production and imminent threat from cheaply sourced fabric and garments.

5.5 Customs Regulations and Procedures for Import/Export Trade

i) Requirements for customs documents to be lodged by licensed clearing agents should be reviewed, with the aim of making the requirement optional for agricultural consignments that are less than US$5000. This policy change should however be backed by extensive education of customs entry documents and procedures.
ii) Pre-shipment inspection should be eliminated for regionally sourced dairy products. Along with this policy measure, the requirement for IDF and IDF fees should also be phase out, for regionally sourced cotton and textile products, especially because IDF is merely a record of intention to import. Actual imports are captured through customs statistics.

5.6 Export import controls/restrictions

i) A regional lint quality certification mechanism is required in order to guarantee quality fabric from regionally traded cotton lint.

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Annex 1

Table 1 Cotton seed Production: Volume (Metric Tonnes)

	1999	2000	2001	2002	2003
South Africa	127,809	69,773	86,667	49,523	37,405
Zimbabwe	370,000	390,000	398,000	330,000	331,000
Egypt	730,393	659,642	970,123	909,863	923,882
Madagascar	34,625	27,369	26,518	8,162	11,354
Kenya	19,000	11,000	17,265	20,000	25,000
Uganda	64,600	56,000	67,200	61,600	88,500
Tanzania	100,111	123,589	148,142	187,943	140,678
Ethiopia	4,785	5,768	4,034	4,542	44,496
Malawi	20,360	26,427	18,000	16,000	14,700
Zambia	45,000	75,000	116,000	118,000	172,105
TOTAL	1,518,682	1,446,568	1,853,950	1,707,635	1,791,123

Table 2: Lint Production: Volume (Metric Tonnes)

	1999	2000	2001	2002	2003
South Africa	53,144	29,768	38,634	21,228	16,799
Zimbabwe	151,674	160094	163,426	135,370	136,000
Egypt	232,265	209,766	308,499	289,336	197,552
Madagascar	13,850	10,948	10,607	3,265	4,542
Kenya	2,000	5,000	5,000	11,000	11,975
Uganda	21,400	18,500	22,200	20,400	29,200
Tanzania	38,220	44,500	54,821	67,703	50,494
Ethiopia	10,382	12,356	16,097	20,845	27,515
Malawi	6,900	8,957	6,100	5,423	4,851
Zambia	28,000	45,000	69,600	70,800	103,200
Total	557,835	544,889	694,984	645,370	582,128

Annex 2: Country by country export performance (Figures in US$)

Exporter	1999	2000	2001	2002	2003	Period Total
Lint						
Ethiopia	4,920,210	5,758,099	6,367,743	6,679,672	9,845,643	33,571,367
Egypt	240,308,125	194,481,304	186,012,638	330,998,540	367,424,300	1,319,224,907
Kenya	75,001	520,243	13,694	965,591	817,254	2,391,783
Madagascar	4,002,136	539,370	239	1,098,099	3,959,965	9,599,809
Malawi	5,404,064	6,579,320	4,274,419	3,358,160	5,159,343	24,775,306
Mauritius	115,229	505,146	1,140,759	102,024	-	1,863,158
South Africa	10,181,177	4,984,364	399,438	288,408	2,052,740	17,906,127
Tanzania	28,170,104	35,364,498	33,323,873	27,997,576	45,738,378	170,594,429
Uganda	17,116,970	7,395,665	8,830,215	11,462,919	17,385,943	62,191,712
Zambia	38,617,525	4,032,479	5,619,909	16,095,175	24,602,142	88,967,230
Zimbabwe	98,600,636	156,791,357	126,175,389	93,526,778	76,573,470	551,667,630
Total	**447,511,177**	**416,951,845**	**372,158,316**	**492,572,942**	**553,559,178**	**2,282,753,458**
Yarn						
Ethiopia	-	102,535	-	-	35,671	138,206
Egypt	123,921,456	148,989,725	122,124,581	107,805,588	124,476,309	627,317,659
Kenya	580,250	1,141,062	331,641	420,692	410,258	2,883,903
Madagascar	1,810,780	2,224,150	967,209	1,029,548	844,254	6,875,941
Malawi	44	-	-	344	171	559
Mauritius	4,538,542	1,920,837	4,138,071	3,356,310	1,362,414	15,316,174
South Africa	4,491,243	11,160,215	19,763,664	31,072,274	30,791,929	97,279,325
Tanzania	191,058	2,796,588	2,334,124	2,615,046	2,112,836	10,049,652
Uganda	89,549	68,339	78,101	524,649	49,614	810,252
Zambia	23,102,419	30,797,613	30,693,553	22,677,854	21,929,933	129,201,372
Zimbabwe	13,021,945	12,561,661	516,802	14,306,940	8,458,646	48,865,994
Total	**171,747,286**	**211,762,725**	**180,947,746**	**183,809,245**	**190,472,035**	**938,739,037**
Fabric						
Ethiopia	1,483,922	1,992,765	2,458,532	2,469,204	5,399,374	13,803,797
Egypt	34,756,599	52,755,326	36,611,405	14,615,954	24,407,887	163,147,171

Exporter	1999	2000	2001	2002	2003	Period Total
Kenya	2,201,299	4,073,733	1,277,485	589,008	1,166,533	9,308,057
Madagascar	7,230,220	9,553,956	8,517,016	4,470,570	848,526	30,620,288
Malawi	1,012,017	353,654	476,352	1,709,067	13,590	3,564,680
Mauritius	39,946,819	37,431,826	41,511,547	35,102,441	26,422,094	180,414,727
South Africa	39,849,735	44,491,205	58,999,907	55,691,220	47,253,012	246,285,079
Tanzania	1,701,599	707,387	672,542	1,006,583	2,356,197	6,444,308
Uganda	36,461	-	8,640	51,394	17,732	114,227
Zambia	719,693	363,809	392,609	224,054	635,076	2,335,241
Zimbabwe	10,419,638	9,532,585	956,945	6,546,815	4,295,161	31,751,144
Total	**139,358,002**	**161,256,246**	**151,882,979**	**122,476,310**	**112,815,182**	**687,788,719**
Garments						
Ethiopia	640,008	578,963	431,149	747,216	601,380	2,998,716
Egypt	361,239,279	429,024,252	342,248,378	209,720,130	333,751,411	1,675,983,450
Kenya	4,823,958	4,173,396	2,456,295	798,240	1,415,008	13,666,898
Madagascar	118,933,806	162,312,343	51,878,585	4,428,908	97,583,723	435,137,365
Malawi	13,429,540	4,417,156	3,694,917	7,754,589	14,559,547	43,855,749
Mauritius	747,679,472	770,479,344	712,858,022	744,351,517	743,662,097	3,719,030,452
South Africa	79,657,175	86,333,754	95,538,338	100,489,893	484,289,541	846,308,701
Tanzania	4,232,603	2,622,128	3,057,477	3,105,261	4,307,595	17,325,064
Uganda	81,680	-	4,468	1,186	746,537	833,871
Zambia	62,911	2,863,410	56,564	45,301	101,015	3,129,201
Zimbabwe	29,787,387	31,376,923	1,077,848	16,636,462	8,176,092	87,054,712
Total	**1,360,567,819**	**1,494,181,669**	**1,213,302,041**	**1,088,078,703**	**1,689,193,946**	**6,845,324,178**

Source: COMESA Data Base, Country baseline study reports

Annex 3: Country by country imports of cotton lint, yarn, fabric and garments (Figures in US$)

	1999	2000	2001	2002	2003	Period Total
Lint						
Ethiopia	289	208	-	315	11,029	11,841
Egypt	6,372,749	25,100,707	21,907,237	5,930,942	15,116,585	74,428,220
Kenya	699,824	1,562,966	420,212	410,702	2,661,627	5,755,331
Madagascar	35,379	4,232	1,042	2,049	101,007	143,709
Malawi	821	55	261,579	195,794	133,614	591,863
Mauritius	18,369,945	19,797,395	19,833,749	14,383,286	18,435,614	90,819,989
South Africa	99,094,745	88,675,894	124,645,207	166,532,493	211,643,221	690,591,560
Tanzania	863	94,892	253,184	311,889	51,964	712,792
Uganda	65,790	156,724	1,960	5,814	1,694	231,982
Zambia	742,470	1,296,893	4,010,814	2,334,634	2,300,306	10,685,117
Zimbabwe	1,378,881	89,885	44,812	300,538	96,237	1,910,353
Total	**126,761,756**	**136,779,851**	**171,379,796**	**190,408,456**	**250,552,898**	**875,882,757**
Yarn						
Ethiopia	65,017	17,288	38,720	522	15,263	136,810
Egypt	59,791,466	24,302,080	16,479,100	2,772,661	11,720,996	115,066,303
Kenya	288,418	117,630	763,721	827,684	1,175,701	3,173,154
Madagascar	9,478,835	17,583,935	4,639,108	1,150,668	4,407,726	37,260,272
Malawi	513877	150774	507238	196259	117968	1,486,116
Mauritius	135,303,068	132,906,224	131,733,029	115,162,610	123,409,777	638,514,708
South Africa	18,551,629	17,509,716	46,529,817	52,602,079	58,804,745	193,997,986
Tanzania	99,358	215,116	279,509	236,803	116,838	947,624

Uganda	22,426	9,636	38,103	23,712	47,508	141,385
Zambia	102,190	60,183	69,740	74,100	78,844	385,057
Zimbabwe	830,938	564,767	175,276	469,322	42,010	2,082,313
Total	**225,047,222**	**193,437,349**	**201,253,361**	**173,516,420**	**199,937,376**	**993,191,728**
Fabric						
Ethiopia	1,528,829	1,274,622	1,560,177	902,278	406,422	5,672,328
Egypt	42,402,712	2,896,437	2,323,542	75,000	696,697	48,394,388
Kenya	6,472,333	3,047,250	29,493,549	41,786,729	45,637,788	126,437,649
Madagascar	52,568,428	59,572,434	17,316,816	3,803,893	41,474,734	174,736,305
Malawi	4,669,593	6,618,039	8,440,411	9,290,947	10,537,919	39,556,909
Mauritius	108,586,567	117,245,882	95,134,989	86,127,853	74,937,710	482,033,001
South Africa	53,205,275	51,013,223	52,018,684	59,431,866	72,652,244	288,321,292
Tanzania	17,976,074	11,788,771	14,204,829	15,050,922	11,019,024	70,039,620
Uganda	300,918	94,728	369,621	999,879	1,406,139	3,171,285
Zambia	3,430,799	3,368,834	4,024,548	3,840,210	6,267,354	20,931,745
Zimbabwe	17,803,234	15,875,257	4,499,589	5,980,044	1,099,229	45,257,353
Total	**308,944,762**	**272,795,477**	**229,386,755**	**227,289,621**	**266,135,260**	**1,304,551,875**
Garments						
Ethiopia	3,742,931	9,710,718	9,838,792	6,578,852	14,032,523	43,903,816
Egypt	1,203,258	291,292	306,399	10,384	105,760	1,917,093
Kenya	4,248,468	3,390,585	3,402,146	3,271,278	3,957,528	18,270,005
Madagascar	2,364,108	2,192,571	1,631,441	1,100,555	2,284,332	9,573,007
Malawi	467,969	949,508	696,946	507,298	1,007,253	3,628,974
Mauritius	9,869,104	5,007,362	7,431,728	21,913,650	15,964,753	60,186,597
South Africa	151,723,413	90,296,956	62,847,802	76,894,466	142,287,67	524,050,31

					6	3
Tanzania	3,155,056	2,142,762	2,391,372	2,323,798	2,521,862	12,534,850
Uganda	2,655,647	1,052,444	1,279,614	1,674,860	2,363,971	9,026,536
Zambia	1,829,443	2,996,127	1,860,495	1,889,001	2,286,622	10,861,688
Zimbabwe	2,942,503	2,495,570	1,330,659	3,845,146	1,492,793	12,106,671
Total	**184,201,900**	**120,525,895**	**93,017,393**	**120,009,288**	**188,305,07 3**	**706,059,54 9**

Source: COMESA Data Base, Country baseline study reports

Annex 4 Summary of Production Issues in the Cotton-Lint-Textile-Apparel Industry

Issues	RSA	Zim	Egypt	Madag	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
Low quality seed					√	√			√		
Low usage of cotton production inputs due to high costs (e.g. due to high levies and taxes)					√	√	√		√		
Inadequate availability of input supplies						√	√				
Lint Contamination / low lint quality							√		√		
Weak / lack of lobby organizations					√	√			√		
Unreliable weather patterns							√				
Declining/fluctuating world prices					√	√	√		√	√	
Weak regulatory environment					√	√	√				
Lack of extension and other support services for cotton farmers					√		√				
Huge post-harvest losses due to poor storage facilities						√	√				
Low quality seed cotton							√		√		
Lower ginning out-turn									√		
Limited / No access to credit				√	√	√	√	√	√	√	
High cost of imported chemicals							√				
Competition from cheaper imports	√				√	√	√				
Increased imports of finished goods	√				√	√					
Cheaper imports from region because of stronger currency	√										
Increased imports of finished goods	√				√	√					
Insufficient supply of seed cotton	√				√	√	√	√	√		
Lack of investment in new machinery and spare parts		√	√		√	√	√	√	√		
Faulty / poorly maintained machinery / equipment		√		√			√				
Locally produced lint is relatively more expensive (reduced demand)	√						√			√	

Locally produced yarn is expensive				√							
Obsolete technology				√	√	√	√	√	√		√
Old machinery /equipment				√	√	√	√	√	√		√
High cost of utilities (electricity)				√	√		√				
Competition from used or second hand clothing				√	√	√	√	√	√	√	
Low domestic and foreign demand				√	√	√				√	
Limited export potential in the region (due to relatively high cost of production / inefficiency in processing)					√	√	√	√		√	
Imports of subsidized products (from other countries – e.g. Asian Countries)					√	√	√	√	√	√	
High transport costs due to poor roads					√	√	√		√		
Lack of government support / preferential treatment of some operators					√						
Adverse macro-economic environment (high interest rate, rising poverty, poor infrastructure)					√	√	√				
Regional trading blocs that hinder rather than facilitate trade											
Lack of appropriate technologies for small-scale processors					√						
Loss of competitiveness due to rising production costs					√		√				√
Shortage / Lack of skilled labour					√	√	√				√
Increasing production costs					√	√	√				√
Declining labour productivity					√	√	√				√
High cost of labour							√				
Short supply of skilled labour					√	√			√		
Lack of quality assurance services					√	√					
Inadequate supply of raw materials (such as lint, yarn)					√		√			√	
Seasonal fluctuation of orders					√	√					√
Lack of domestic and export market										√	
Low demand due to low quality							√				

High price of cotton produced locally							√				
Faulty / poorly maintained machinery / equipment											
Inappropriate government regulations					√						
Industrial Unrest					√						
Insufficient Research and Training						√					
Lack of market information						√	√				
Unfair competition through tax evasion					√	√					
Political and economic uncertainty					√						

Source: Country baseline reports

Annex 5: Summary of reasons for capacity under-utilization in the Region – Ginneries (cotton lint), yarns processing, fabric and garment production

Issue	RSA	Zim	Egypt	Madag	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
Lint											
Locally produced lint is expensive (reduced demand)	√				√	√				√	
Limited export potential in the region (due to relatively high cost of production / inefficiency in processing)					√	√	√	√		√	
Limited / No access to credit					√	√	√	√	√	√	
Imports of subsidized products (from other countries – e.g. Asian Countries)					√	√	√	√	√	√	
Competition from cheaper imports	√				√	√	√				
Increased imports of finished goods	√				√	√					
Insufficient supply of seed cotton	√				√	√	√	√	√		
Obsolete technology					√	√	√	√	√		
Old Ginneries					√	√	√	√	√		
Short Supply of Specialist skills					√	√			√		
Cheaper imports from region because of stronger currency	√										
Lack of investment in new machinery and spare parts		√	√		√	√	√				
High transport costs					√	√					
Insufficient Research and Training						√					
Lack of market information						√					
Yarn											
Locally produced yarn is expensive				√							
Seasonal fluctuation of orders											√
Lack of skilled labour											√
Increasing production costs											√
Competition from cheaper imports	√				√						
Low efficiency											
Lack of investment incentive policy				√							

Issue	RSA	Zim	Egypt	Madag	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
Faulty / poorly maintained machinery / equipment		√		√							
Insufficient orders				√							
Locally produced lint is relatively more expensive (reduced demand)	√						√			√	
Limited export potential in the region (due to relatively high cost of production / inefficiency in processing)										√	
Lack of access to finance										√	
Narrow product range				√							
Imports of subsidized products (from other countries – e.g. Asian Countries)					√		√	√	√	√	
Lack of investment in new machinery and spare parts			√		√		√				
High cost of utilities				√							
Obsolete technology				√	√		√	√	√		√
Old Ginneries				√	√		√	√	√		√
Short Supply of Specialist skills					√				√		
Cheaper imports from region because of stronger currency	√										
High Transport costs				√							
Unstable world prices				√							
Fabric											
Loss of competitiveness due to rising production costs					√		√				√
Lack of skilled labour					√		√				√
Increasing production costs					√		√				√
Declining labour productivity					√		√				√
Competition from cheaper imports	√				√		√				
Increased imports of finished goods	√				√						
Lack of quality assurance services					√						
Inadequate supply of raw materials (such as lint, yarn)					√		√			√	
Declining world prices										√	

Issue	RSA	Zim	Egypt	Madag	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
Lack of domestic and export market										√	
Old machinery and lack of spares							√		√		
Low demand due to low quality							√				
High price of cotton produced locally							√				
Lack/or no access to credit					√						
Obsolete technology				√	√		√	√	√		√
Old Ginneries				√	√		√	√	√		√
Faulty / poorly maintained machinery / equipment											
Cheaper imports from region because of stronger currency	√										
Lack of investment					√						
High cost of utilities (electricity)					√						
Inappropriate government regulations					√						
Garments											
Seasonal fluctuation of orders					√	√					√
Lack of skilled labour					√	√					√
Increasing production costs					√	√					√
Declining labour productivity					√	√	√				√
Competition from cheaper imports	√				√	√	√				
Increased imports of finished goods	√				√	√					
Unfair competition through tax evasion					√	√					
Lack of quality assurance services					√						
Competition from used or second hand clothing				√	√	√	√	√	√	√	
Limited / No access to credit					√	√	√	√	√	√	
Industrial Unrest					√						
Insufficient domestic and foreign demand				√	√	√				√	
Inadequate orders					√	√			√		
Obsolete technology					√	√	√				
Old machinery					√	√					
Lack of investment					√						

Issue	RSA	Zim	Egypt	Madag	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
High cost of utilities (electricity)				√	√						
Inappropriate government regulations					√						
Lack of government support / preferential treatment of some operators					√						
Adverse macro-economic environment					√						
Regional trading blocs that hinder rather than facilitate trade											
Lack of appropriate technologies for small-scale processors					√						

Source: Country baseline reports

Annex 6: Summary of trade related investment promotion schemes

	RSA	Zim	Egypt	Madaga	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
EXPORT PROCESSING SCHEMES/FREE TRADE ZONES											
Corporate tax holiday					10-year and thereafter 25%	10-year	10-year and thereafter 25%		Tax holidays uncommon		
Withholding tax holiday on dividend remittance					10-year and thereafter 25%		10-year				
Withholding tax exemption						For 10 years					
Exemption of withholding tax on interest on external loans						√					
No tax on dividend and capital gains									√		√
Duty and tax exemption on imports			√	√	√	√	√		√		√
VAT Exemption					√	√	√				
General Tax Exemptions										√	
Investment deduction on capital expenditure					100% within 20 years						
Investment capital allowance						√					
Stamp duty exemption on legal instruments					√	√	√				
Exemption from Industrial Act, Statistics Act and Trade Licensing Acts					√						
Exemption from pre-shipment inspection					√		√				
Exemption from work permit for senior staff					√		With skills not locally available				

	RSA	Zim	Egypt	Madaga	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
Exemption on site customs inspection					√						
On site inspection in lien of off-port inspection							√				
Exemption from normal registration fee											√
Exemption from personal income tax for staff											50% for 2
Free repatriation of profits, dividends and capital							√				√
Exemption from forex control							√				
Exemption from taxes and levies by local govt. authorities							√				
Accessibility to high quality infrastructure							√				
Provision of temporary (30-day) for key personnel							√				
Goods from EPZ can be sold locally (within customs boundaries)							Up to 30%				
MANUFACTURING UNDER BOND											
Duty and tax exemption on imports (plants, equipment, raw materials and other inputs)					√	√	√			√	
VAT Exemption (plants, equipment, raw materials and other inputs)					√	√	√			√	
Investment Allowance on plant, machinery and buildings					100%						
DUTY DRAW BACK SCHEME					√	√	√	**95-100%**	√	√	
OTHER INCENTIVES											
Grants to establish/expand operations	√										
Grants for training (development of new skills	√										
Export marketing and investment assistance	√										
Reduction of rates on land			√								
Duty free imports on certain raw											

	RSA	Zim	Egypt	Madaga	Kenya	UG	TZ	Ethio	Mal	Zam	Maur
materials											
A special credit as a % of the equity invested											Up to 60%
Land lease at concessionary rate							√	√			√
Establishment of National Equity Fund (Government subscription in new ventures)											√
Duty Credit Certificate Scheme	√										
Credit facility at concessionary rate for exporters								√			
Easing of bureaucratic procedures								√			
Export Development Revolving Fund										√	

Source: Country baseline reports

ANNEX 7

Table 1: Import duty applicable on Kenya's exports to Uganda, with effect from January 1st 2005

HSCODE	Description	YEAR 1(Jan 1 2005)	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Cotton, textiles and garments							
Woven fabric							
5208.11.00	Unbleached plain cotton weave, with >=85% cotton, =<100g/m2	10%	8%	6%	4%	2%	0%
5208.12.00	Unbleached plain cotton weave, with >=85% cotton, >100g/m2 but <200g/m2	10%	8%	6%	4%	2%	0%
5208.13.00	Unbleached 3 or 4-thread twill, with >=85% cotton, <200g/m2	10%	8%	6%	4%	2%	0%
5208.19.00	Unbleached woven cotton fabrics, nes, with >=85% cotton	10%	8%	6%	4%	2%	0%
5208.21.00	Bleached plain cotton weave, with >=85% cotton, =<100g/m2	10%	8%	6%	4%	2%	0%
5208.22.00	Bleached plain cotton weave, with >=85% cotton, >100g/m2	10%	8%	6%	4%	2%	0%
5208.23.00	Bleached 3 or 4-thread twill (incl. cross twill), with >=85% cotton	10%	8%	6%	4%	2%	0%
5208.29.00	Bleached woven cotton fabrics, nes, with >=85% cotton	10%	8%	6%	4%	2%	0%
5208.31.00	Dyed plain cotton weave, with >=85% cotton, =<100g/m2	10%	8%	6%	4%	2%	0%
5208.32.00	Dyed plain cotton weave, with >=85% cotton, >100g/m2	10%	8%	6%	4%	2%	0%
5208.33.00	Dyed 3 or 4-thread twill (incl. cross twill), with >=85% cotton	10%	8%	6%	4%	2%	0%
5208.39.00	Dyed woven cotton fabrics, with >=85% cotton, nes	10%	8%	6%	4%	2%	0%
5208.41.00	Coloured plain cotton weave, with >=85% cotton, =<100g/m2	10%	8%	6%	4%	2%	0%
5208.42.00	Coloured plain cotton weave, with >=85% cotton, >100g/m2	10%	8%	6%	4%	2%	0%
5208.43.00	Coloured 3 or 4-thread twill (incl. cross twill), with >=85% cotton	10%	8%	6%	4%	2%	0%
5208.49.00	Coloured woven cotton fabrics, with >=85% cotton, nes	10%	8%	6%	4%	2%	0%
5208.51.00	Printed plain cotton weave, with >=85% cotton, =<100g/m2	10%	8%	6%	4%	2%	0%
5208.52.00	Printed plain cotton weave, with >=85% cotton, >100g/m2	10%	8%	6%	4%	2%	0%
5208.53.00	Printed 3 or 4-thread twill (incl. cross twill), with >=85% cotton	10%	8%	6%	4%	2%	0%
5208.59.00	Printed woven cotton fabrics, with >=85% cotton, nes	10%	8%	6%	4%	2%	0%

HSCODE	Description	YEAR 1(Jan 1 2005)	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Cotton, textiles and garments							
5209.11.00	Unbleached plain cotton weave, with >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.12.00	Unbleached 3 or 4-thread twill (incl. cross twill), with >=85% cotton	10%	8%	6%	4%	2%	0%
5209.19.00	Unbleached cotton fabrics, with >=85% cotton, >=200g/m2, nes	10%	8%	6%	4%	2%	0%
5209.21.00	Bleached plain cotton weave, with >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.22.00	Bleached 3 or 4-thread twill, >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.29.00	Bleached woven cotton fabrics, with >=85% cotton, >=200g/m2, nes	10%	8%	6%	4%	2%	0%
5209.31.00	Dyed plain cotton weave, with >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.32.00	Dyed 3 or 4-thread twill (incl. cross twill), with >=85% cotton	10%	8%	6%	4%	2%	0%
5209.39.00	Dyed woven cotton fabrics, with >=85% cotton, >=200g/m2, nes	10%	8%	6%	4%	2%	0%
5209.41.00	Coloured plain cotton weave, with >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.42.00	Denim, with >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.43.00	Coloured 3 or 4-thread twill, with >=85% cotton, >=200g/m2	10%	8%	6%	4%	2%	0%
5209.49.00	Coloured woven cotton fabrics, with >=85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5209.51.00	Printed plain cotton weave, with >=85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5209.52.00	Printed 3 or 4-thread twill, with >=85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5209.59.00	Printed woven cotton fabrics, with >=85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5210.11.00	Unbleached plain cotton weave, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.12.00	Unbleached 3 or 4-thread twill, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.19.00	Unbleached woven cotton fabrics, nes, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.21.00	Bleached plain cotton weave, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.22.00	Bleached 3 or 4-thread twill, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.29.00	Bleached woven cotton fabrics, nes, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.31.00	Dyed plain cotton weave, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.32.00	Dyed 3 or 4-thread twill, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%

HSCODE	Description	YEAR 1(Jan 1 2005)	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Cotton, textiles and garments							
5210.39.00	Dyed woven cotton fabrics, nes, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.41.00	Coloured plain cotton weave, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.42.00	Coloured 3 or 4-thread twill, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.49.00	Coloured woven cotton fabrics, nes, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.51.00	Printed plain cotton weave, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.52.00	Printed 3 or 4-thread twill, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5210.59.00	Printed woven cotton fabrics, nes, with <85% cotton, =<200g/m2	10%	8%	6%	4%	2%	0%
5211 43.00	Other fabrics of 3-thread or 4-thread twill, including cross twill	10%	8%	6%	4%	2%	0%
5211.11.00	Unbleached plain cotton weave, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.12.00	Unbleached 3 or 4-thread twill, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.19.00	Unbleached woven cotton fabrics, nes, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.21.00	Bleached plain cotton weave, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.22.00	Bleached 3 or 4-thread twill, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.29.00	Bleached woven cotton fibres, nes, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.31.00	Dyed plain cotton weave, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.32.00	Dyed 3 or 4-thread twill, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.39.00	Dyed woven cotton fabrics, nes, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.41.00	Coloured plain cotton weave, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.42.00	Coloured denim, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.49.00	Coloured woven cotton fabrics, nes, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.51.00	Printed plain cotton weave, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.52.00	Printed 3 or 4-thread twill, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5211.59.00	Printed woven cotton fabrics, nes, with <85% cotton, >200g/m2	10%	8%	6%	4%	2%	0%
5212.11.00	Unbleached woven fabrics of cotton, =<200g/m2, nes	10%	8%	6%	4%	2%	0%

HSCODE	Description	YEAR 1(Jan 1 2005)	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Cotton, textiles and garments							
5212.12.00	Bleached woven fabrics of cotton, =<200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.13.00	Dyed woven fabrics of cotton, =<200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.14.00	Coloured woven fabrics of cotton, =<200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.15.00	Printed woven fabrics of cotton, =<200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.21.00	Unbleached woven fabrics of cotton, >200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.22.00	Bleached woven fabrics of cotton, >200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.23.00	Dyed woven fabrics of cotton, >200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.24.00	Coloured woven fabrics of cotton, >200g/m2, nes	10%	8%	6%	4%	2%	0%
5212.25.00	Printed woven fabrics of cotton, >200g/m2, nes	10%	8%	6%	4%	2%	0%
Garments							
6003.20.00	Knitted cotton material	10%	8%	6%	4%	2%	0%
6106.10.00	Women’s or girls’ blouses, etc, of cotton, knitted or crocheted	10%	8%	6%	4%	2%	0%
6107.11.00	Men’s or boys’ underpants and briefs of cotton, knitted or crocheted	10%	8%	6%	4%	2%	0%
6108.21.00	Women’s or girls’ briefs and panties of cotton, knitted or crocheted	10%	8%	6%	4%	2%	0%
6109.10.00	T-shirts of cotton, knitted or crocheted	10%	8%	6%	4%	2%	0%
6205.20.00	Men’s or boys’ shirts of cotton	10%	8%	6%	4%	2%	0%
6205.90.00	Men’s or boys’ shirts of other textiles, nes	10%	8%	6%	4%	2%	0%
6304.11.00	Knitted or crocheted bedspreads	10%	8%	6%	4%	2%	0%
6304.19.00	Bedspreads (excl. knitted or crocheted)	10%	8%	6%	4%	2%	0%
6304.92.00	Furnishing articles, nes, of cotton (excl. knitted or crocheted)	10%	8%	6%	4%	2%	0%
6304.93.00	Furnishing articles of synthetic fibres (excl. knitted or crocheted)	10%	8%	6%	4%	2%	0%
6304.99.00	Furnishing articles of other textiles (excl. knitted or crocheted)	10%	8%	6%	4%	2%	0%
6305.33.00	Other, of polythene or polypropylene	10%	8%	6%	4%	2%	0%
6305.39.00	Sacks and bags, used for packing goods, of man-made textile fibres, nes	10%	8%	6%	4%	2%	0%
6308.00.00	Sets of woven fabric and yarn, for making up into rugs, etc, prs	10%	8%	6%	4%	2%	0%

Source: EAC Common External Tariff

Table 2: Import duty applicable on Kenya's exports to Tanzania, with effect from January 1st 2005 (RATES focus products)

HS Code	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cotton, textiles and garments							
Cotton sewing threads							
52041100	--Containing 85% or more by weight of cotton	5%	4%	3%	2%	1%	0%
52041900	--Other	5%	4%	3%	2%	1%	0%
52042000	-Put up for retail sale	5%	4%	3%	2%	1%	0%
Woven fabric							
52083100	--Plain weave, weighing not more than 100 g/m2	5%	4%	3%	2%	1%	0%
52084900	--Other fabrics	25 %	20 %	15 %	10%	5%	0%
52085110	---Khanga and Kitenge	25 %	20 %	15 %	10%	5%	0%
52085110	---Khanga and Kitenge	25 %	20 %	15 %	10%	5%	0%
52121300	--Dyed	5%	4%	3%	2%	1%	0%
52121510	---Khanga and Kitenge	25 %	20 %	15 %	10%	5%	0%
52121510	---Khanga and Kitenge	25 %	20 %	15 %	10%	5%	0%
52122300	--Dyed	5%	4%	3%	2%	1%	0%
Garments							
60022000	-Other, of a width not exceeding 30 cm	5%	4%	3%	2%	1%	0%
60023000	-Of a width exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread	5%	4%	3%	2%	1%	0%
60024200	--Of cotton	5%	4%	3%	2%	1%	0%
60024300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
60029200	--Of cotton	5%	4%	3%	2%	1%	0%
60029300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
60029900	--Other	5%	4%	3%	2%	1%	0%
61012000	-Of cotton	5%	4%	3%	2%	1%	0%
61013000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
61019000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61022000	-Of cotton	5%	4%	3%	2%	1%	0%
61023000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
61029000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61031900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61032200	--Of cotton	5%	4%	3%	2%	1%	0%
61032300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61032900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61033300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61041200	--Of cotton	5%	4%	3%	2%	1%	0%
61041300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61041900	--Of other textile materials	5%	4%	3%	2%	1%	0%

HS Code	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cotton, textiles and garments							
61042200	--Of cotton	5%	4%	3%	2%	1%	0%
61042300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61042900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61043200	--Of cotton	5%	4%	3%	2%	1%	0%
61043300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61043900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61044200	--Of cotton	5%	4%	3%	2%	1%	0%
61044300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61044900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61045100	--Of wool or fine animal hair	5%	4%	3%	2%	1%	0%
61045200	--Of cotton	5%	4%	3%	2%	1%	0%
61045300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61045900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61046200	--Of cotton	5%	4%	3%	2%	1%	0%
61046300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61046900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61051000	-Of cotton	5%	4%	3%	2%	1%	0%
61052000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
61059000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61061000	-Of cotton	5%	4%	3%	2%	1%	0%
61062000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
61069000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61071200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61071900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61072100	--Of cotton	5%	4%	3%	2%	1%	0%
61072200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61072900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61079100	--Of cotton	5%	4%	3%	2%	1%	0%
61079200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61081100	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61081900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61082100	--Of cotton	5%	4%	3%	2%	1%	0%
61082200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61082900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61083100	--Of cotton	5%	4%	3%	2%	1%	0%
61083200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61083900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61089100	--Of cotton	5%	4%	3%	2%	1%	0%
61089200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
61089900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61091000	-Of cotton	5%	4%	3%	2%	1%	0%
61099000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61101000	-Of wool or fine animal hair	5%	4%	3%	2%	1%	0%
61103000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
61109000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61112000	-Of cotton	5%	4%	3%	2%	1%	0%
61113000	-Of synthetic fibres	5%	4%	3%	2%	1%	0%
61121100	--Of cotton	5%	4%	3%	2%	1%	0%
61121200	--Of synthetic fibres	5%	4%	3%	2%	1%	0%

HS Code	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cotton, textiles and garments							
61123100	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61123900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61124100	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61124900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61130000	Garments, made up of knitted or crocheted fabrics of heading No. 59.03, 59.06 or 59.07.	5%	4%	3%	2%	1%	0%
61142000	-Of cotton	5%	4%	3%	2%	1%	0%
61143000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
61149000	-Of other textile materials	5%	4%	3%	2%	1%	0%
61151900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61152000	-Women's full-length or knee-length hosiery, measuring per single yarn less than 67 decitex	5%	4%	3%	2%	1%	0%
61159200	--Of cotton	5%	4%	3%	2%	1%	0%
61159300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61159900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61169200	--Of cotton	5%	4%	3%	2%	1%	0%
61169300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
61169900	--Of other textile materials	5%	4%	3%	2%	1%	0%
61171000	-Shawls, scarves, mufflers, mantillas, veils and the like	5%	4%	3%	2%	1%	0%
61179000	-Parts	5%	4%	3%	2%	1%	0%
62011300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62019200	--Of cotton	5%	4%	3%	2%	1%	0%
62019300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62019900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62021200	--Of cotton	5%	4%	3%	2%	1%	0%
62021300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62029200	--Of cotton	5%	4%	3%	2%	1%	0%
62029300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62029900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62031200	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62031900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62032200	--Of cotton	5%	4%	3%	2%	1%	0%
62032300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62032900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62033200	--Of cotton	5%	4%	3%	2%	1%	0%
62033900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62034300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62041200	--Of cotton	5%	4%	3%	2%	1%	0%
62041300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62041900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62042200	--Of cotton	5%	4%	3%	2%	1%	0%
62042300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62042900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62043200	--Of cotton	5%	4%	3%	2%	1%	0%
62043300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62043900	--Of other textile materials	5%	4%	3%	2%	1%	0%

HS Code	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cotton, textiles and garments							
62044200	--Of cotton	5%	4%	3%	2%	1%	0%
62044300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62044400	--Of artificial fibres	5%	4%	3%	2%	1%	0%
62045200	--Of cotton	5%	4%	3%	2%	1%	0%
62045300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62046300	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
62046900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62052000	-Of cotton	5%	4%	3%	2%	1%	0%
62059000	-Of other textile materials	5%	4%	3%	2%	1%	0%
62063000	-Of cotton	5%	4%	3%	2%	1%	0%
62064000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
62069000	-Of other textile materials	5%	4%	3%	2%	1%	0%
62071100	--Of cotton	5%	4%	3%	2%	1%	0%
62071900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62072100	--Of cotton	5%	4%	3%	2%	1%	0%
62072200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62072900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62079200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62079900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62081100	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62082100	--Of cotton	5%	4%	3%	2%	1%	0%
62082200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62082900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62089100	--Of cotton	5%	4%	3%	2%	1%	0%
62089200	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62089900	--Of other textile materials	5%	4%	3%	2%	1%	0%
62092000	-Of cotton	5%	4%	3%	2%	1%	0%
62093000	-Of synthetic fibres	5%	4%	3%	2%	1%	0%
62099000	-Of other textile materials	5%	4%	3%	2%	1%	0%
62102000	-Other garments, of the type described in subheadings 6201.11 to 6201.19	5%	4%	3%	2%	1%	0%
62103000	-Other garments, of the type described in subheadings 6202.11 to 6202.19	5%	4%	3%	2%	1%	0%
62104000	-Other men's or boys' garments	5%	4%	3%	2%	1%	0%
62105010	--Khanga and Kitenge	5%	4%	3%	2%	1%	0%
62111100	--Men's or boys'	5%	4%	3%	2%	1%	0%
62111200	--Women's or girls'	5%	4%	3%	2%	1%	0%
62113200	--Of cotton	5%	4%	3%	2%	1%	0%
62113300	--Of man-made fibres	5%	4%	3%	2%	1%	0%
62122000	-Girdles and panty-girdles	5%	4%	3%	2%	1%	0%
62123000	-Corselettes	5%	4%	3%	2%	1%	0%
62132000	-Of cotton	5%	4%	3%	2%	1%	0%
62141000	-Of silk or silk waste	5%	4%	3%	2%	1%	0%
62143000	-Of synthetic fibres	5%	4%	3%	2%	1%	0%
62149000	-Of other textile materials	5%	4%	3%	2%	1%	0%
62152000	-Of man-made fibres	5%	4%	3%	2%	1%	0%
62171000	-Accessories	5%	4%	3%	2%	1%	0%
62179000	-Parts	5%	4%	3%	2%	1%	0%
63011000	-Electric blankets	5%	4%	3%	2%	1%	0%

HS Code	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cotton, textiles and garments							
63013000	-Blankets (other than electric blankets) and travelling rugs, of cotton	5%	4%	3%	2%	1%	0%
63019000	-Other blankets and travelling rugs	5%	4%	3%	2%	1%	0%
63021000	-Bed linen, knitted or crocheted	5%	4%	3%	2%	1%	0%
63022100	--Of cotton	5%	4%	3%	2%	1%	0%
63023900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63024000	-Table linen, knitted or crocheted	5%	4%	3%	2%	1%	0%
63026000	-Toilet linen and kitchen linen, of terry towelling or similar terry fabrics, of cotton	5%	4%	3%	2%	1%	0%
63029100	--Of cotton	5%	4%	3%	2%	1%	0%
63029900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63031100	--Of cotton	5%	4%	3%	2%	1%	0%
63031900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63039100	--Of cotton	5%	4%	3%	2%	1%	0%
63039900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63041100	--Knitted or crocheted	5%	4%	3%	2%	1%	0%
63051000	-Of jute or of other textile bast fibres of heading No. 53.03	3%	2%	1%	0%	0%	0%
63053300	--Other, of polyethylene or polypropylene strip or the like	15 %	12 %	9%	6%	3%	0%
63053900	--Other	3%	2%	1%	0%	0%	0%
63059000	-Of other textile materials	3%	2%	1%	0%	0%	0%
63061100	--Of cotton	5%	4%	3%	2%	1%	0%
63061200	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
63061900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63062100	--Of cotton	5%	4%	3%	2%	1%	0%
63062200	--Of synthetic fibres	5%	4%	3%	2%	1%	0%
63062900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63063900	--Of other textile materials	5%	4%	3%	2%	1%	0%
63064100	--Of cotton	5%	4%	3%	2%	1%	0%
63080000	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	3%	2%	1%	0%	0%	0%
63090000	Worn clothing and other worn articles.	5%	4%	3%	2%	1%	0%

Source: EAC Common External Tariff