

**GLOBAL COMMODITIES FORUM**

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**Africa - Developing International Competitiveness of the  
Cotton Value Chain**

by

**Mr. Rajeev Arora**

~~www~~ African Cotton & Textile Industries Federation  
(ACTIF)

The views expressed are those of the author and do not necessarily reflect the views of  
UNCTAD.



# African Cotton & Textile Industries Federation

*Developing Synergies to Promote Trade in African Cotton, Textiles and Apparels*



## Africa - Developing International Competitiveness of the Cotton Value Chain

**Mr. Rajeev Arora**  
**Executive Director,**  
**African Cotton & Textile Industries Federation (ACTIF)**  
**[www.cottonafrica.com](http://www.cottonafrica.com)**





# INTRODUCING ACTIF

**A regional trade body formed by the cotton, textile and apparel value chain stakeholders in Eastern and Southern Africa in June 2005**

## **The Vision:**

An integrated cotton, textile and apparel industry that effectively competes on the world market

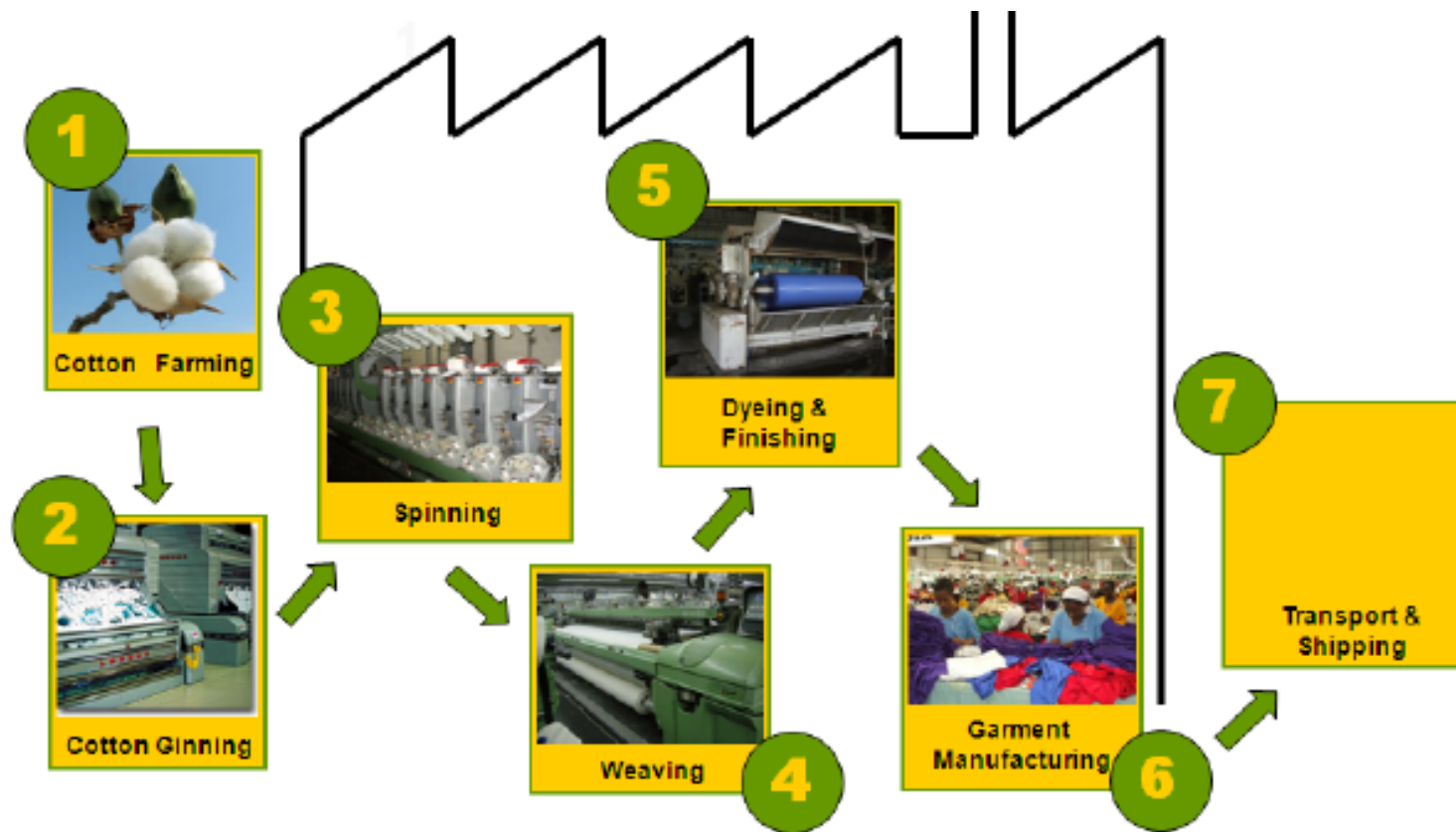
## **Mission:**

To develop and successfully deliver services that enhance our membership's competitiveness in the world market





# COTTON TEXTILE & APPAREL VALUE CHAIN





# COTTON TRADE WORLD VS AFRICA

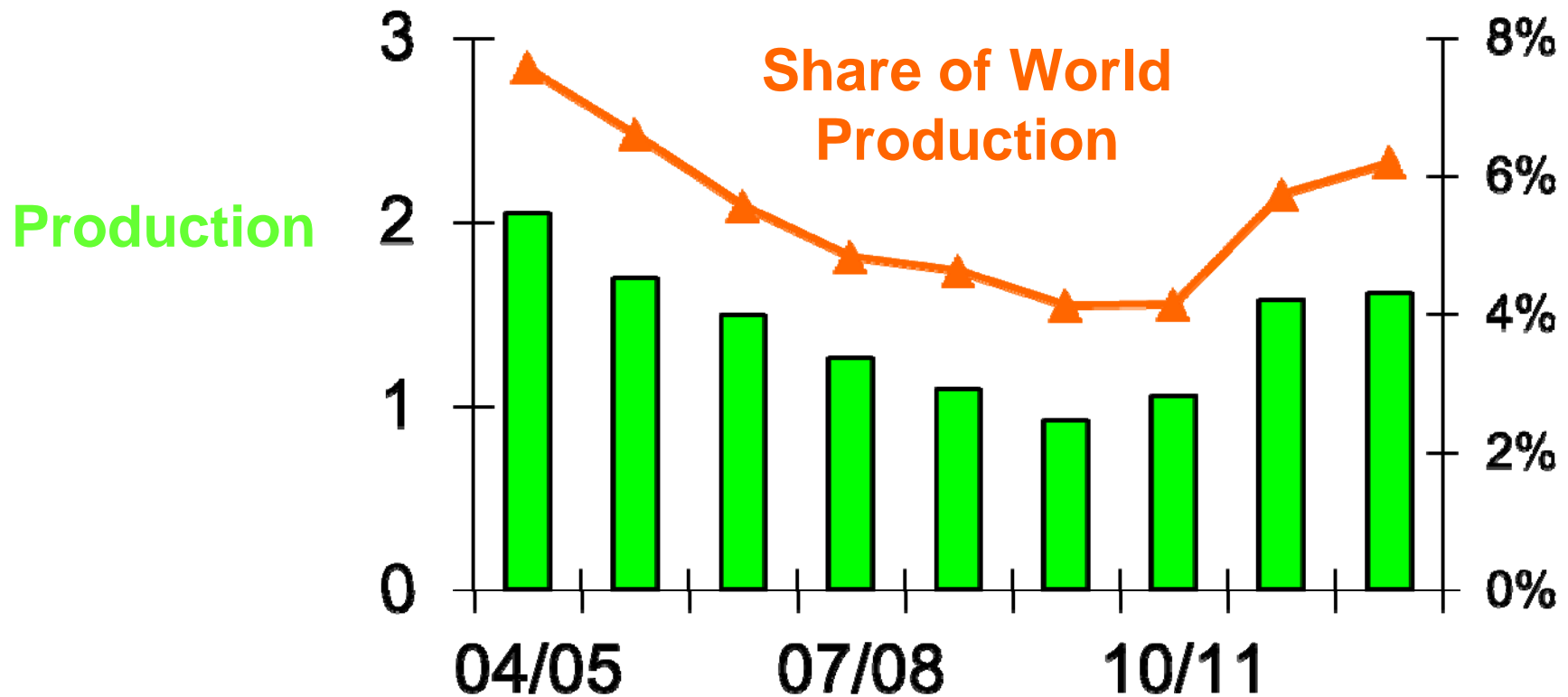
	2010/11 Million tons	2011/12 Million tons (projected)	2012/13 Million tons (projected)
→ World Production	25.10	27.08	24.74
→ Africa's Share	1.03	1.47	1.38
→ World Consumption	24.51	22.72	23.17
→ Africa's Share	0.34	0.32	0.33
→ World Imports	7.72	9.33	7.50
→ Africa's Share	0.20	0.13	0.21
→ World Exports	7.62	9.34	7.50
→ Africa's Share	0.89	1.01	1.30

Source ICAC 2012



# AFRICAN COTTON PRODUCTION

Million tons



Source: ICAC



# SUPPLY & USE OF COTTON STATUS IN AFRICA

Region	2012/13			
	Prod	Imports	Cons	Exports
North Africa	155	139	170	119
Francophone Africa	770	n/a	17	669
Southern Africa	455	66	143	437
World	26,079	7,751	23,498	7,751

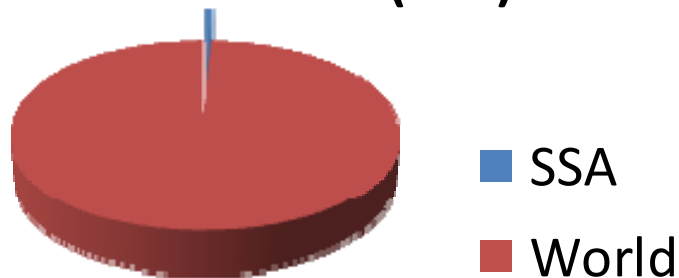
Value in 000 Metric Tons

Source: ICAC Report 2012



# AGOA OPPORTUNITY

## U.S. Textile & Apparel Imports from Sub Sahara Africa (SSA)



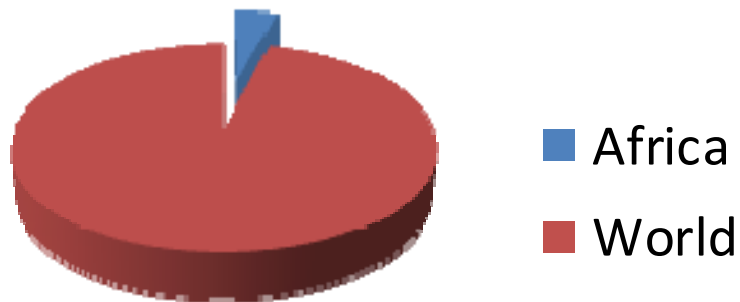
- ◎ Total imports of textile & apparel products by USA stood at US\$ 101Bn *(Source: OTEXA, 2012)*
- ◎ SSA enjoys Duty free Quota free access into US for Garment exports under AGOA
- ◎ Total U.S. Apparel imports from Africa under AGOA US\$ 864 Million (0.8%) *(Source: ACT, 2012)*





# EPA OPPORTUNITY

## EU Textile & Apparel Imports from Africa



- ③ Africa enjoys duty free Quota free access into EU for Textile products through the Economic Partnership Agreement (EPA)
- ③ Total imports of textile & apparel products by EU stood at US\$ 234Bn. (2012)
- ③ Total EU textile and apparel imports from Africa stood at US\$ 9.3 Bn (4%)

Source: **ITC** calculations based on **UN Comtrade**



## CURRENT SCENARIO

- 1) Huge gap in the intermediate sectors of the cotton value chain
- 2) High operating costs due to obsolete technology & equipment among others
- 3) High competition from dumping pricing from Asia
- 4) Political insecurity and instability
- 5) Poor infrastructure and poor connectivity
- 6) Reliance on expatriate workforce for technical support
- 7) High costs of doing business



## CURRENT SCENARIO CONTINUED..

- ⊙ Lack of a harmonized regional strategy for CTA value chain development
- ⊙ Lack of political commitment for sustainable policies
- ⊙ Porous borders leading to dumping and smuggling
- ⊙ Second hand clothing
- ⊙ Cheap imports with no anti dumping policies



# ROLE OF ACTIF

- ③ **Foreign Direct Investments(FDI):** ACTIF explores investment in the cotton textile & apparel value chain in Africa, including developing due diligence and match making for JV's
- ③ **B2B Linkages:** ACTIF facilitates Business to Business linkages with member countries
- ③ **Access to Information:** ACTIF provides information access including reports and special studies for national policies and strategies
- ③ **Market access:** ACTIF actively develops linkages with member countries and regional economic communities (RECs) like EAC, COMESA, SADC



# ROLE OF ACTIF

- ③ **Policy & Advocacy:** ACTIF is very active in advocacy activities in partnership with its members and partners to improve the policy environment across the region
- ③ **COMESA CtC Strategy:** ACTIF has been recognized as the private sector representative for the implementation of the COMESA Cotton to Clothing strategy. With support of our funding partners, ACTIF has developed an priority implementation plan from the strategy and is currently monitoring the implementation activities;



# HIGHLIGHTS OF KEY ACHIEVEMENTS

## ◎ **Extension of AGOA's third country fabric provision to 2015**

In 2011 & 2012, ACTIF was instrumental in engaging with key stakeholders including in US trade representatives, Members of US congress and Senate, Diplomatic corps and civil society. ACTIF Chairman was also invited to speak at a congressional hearing on AGOA. The end result was extension of AGOA's third country fabric provision to 2015, saving over 300,000 jobs that were at stake!

## RENEW AGOA 3RD COUNTRY FABRIC



# HIGHLIGHTS OF KEY ACHIEVEMENTS

- ◎ **Favorable Rules of Origin for the CTA sector adopted under EAC-COMESA-SADC tripartite**

ACTIF has been actively involved in representing the private sector views in the EAC-COMESA-SADC tripartite discussions. This has led to favorable provisions for the Cotton, textile and apparel sector being adopted into the final draft of the tripartite document. The document is currently going through the political process before the FTA can be launched.





# HIGHLIGHTS OF KEY ACHIEVEMENTS

## 🕒 Investment Development – Ethiopia example

During Origin Africa 2012 ACTIF, in partnership with USAID COMPETE, was able to lure some key investors from Asia into Ethiopia to participate in the investment forum. Following the interactions an investment commitment worth over USD30 million dollars was made to establish a denim plant in Ethiopia by an Indian Investor. This will be a big boost to supply the much needed fabric to the region.







# HIGHLIGHTS OF KEY ACHIEVEMENTS

## 🕒 **Proposed Regional Center of Excellence for East Africa**

ACTIF has taken a lead to mobilize key stakeholders / partners locally, regionally and internationally towards the establishment of a regional center of Excellence in Kenya for the Textile and Apparel sectors.

Key achievements recorded so far include:

- The Government of Kenya has committed to host this regional center of excellence at the Export Processing Zones Authority (EPZA) where it already hosts a number of garment factories.
- A working committee has already been established to spear head the development of the project with representatives from public and private sector including local universities.



# WHY AFRICA?



# TRIPARTITE FRAMEWORK COMESA-EAC-SADC



- ❑ Three Regional Economic Communities (RECs): Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC)
- ❑ A Free Trade Area that builds on the existing ones within COMESA, EAC and SADC.
- ❑ Comprising of 26 countries with a combined population of 527 million people
- ❑ A combined Gross Domestic Product (GDP) of US\$ 624 billion, and a GDP per capita averaging US\$1,184.
- ❑ The Tripartite is expected to be launched in 2013



# CHANGING PARADIGM OF AFRICA

- 1) Africa today promises the highest return on investment and its GDP is predicted to double in the next 10 years.
- 2) SSA has great market access opportunities for both regional and international markets:
  - I. Duty free access to the regional markets is mainly available through the three regional economic trading blocs: COMESA, EAC & SADC;
  - II. Duty free access to the U.S. market is mainly available through AGOA
  - III. Duty free access to the EU market is mainly available through the interim (EU-EPA) & Others including GSP;



# CHANGING PARADIGM OF AFRICA

- 3) SSA is cost competitive and also has natural strategic advantages for proximity to key markets to increase speed to market;
- 4) There are investment opportunities in each niche of the cotton growing, textile production and apparel manufacturing sectors;
- 5) Most governments in SSA are eager for foreign direct investment, particularly in the textile and garment sector to boost employment.
- 6) Investment friendly policies, regulations and incentives have been established across the region including the set up of special economic zones to take care of the investors needs.



# CHANGING PARADIGM OF AFRICA

- 7) An increasing number of factories maintain strong social and environmental compliance and are already accessing both US & EU markets;
- 8) Raw material availability, with Africa accounting for 5% of the world's cotton production, and huge investment being undertaken to produce high quality fabric;
- 9) Competitive production & transit times available to meet the needs for fast fashion;

# COMPARISON MATRIX

	Ghana	Ethiopia	Kenya	Madagascar	Lesotho	Mauritius	Swaziland
<b>Cotton production (in mn.kg)</b>							
2012	7	21	7	7.2	0	0	Na
2011	7	21	7	Na	0	0	Na
2010	2	19	11	Na	0	0	4
Cost (US cents/kwh)	13 to 15	3.5 to 5	18 to 20	9.7	8	10	8
Installed capacity (mn KW)	1.8	2.2	1.7	0.35			
Availability	Consistent	Consistent	Not Consistent	Consistent (Antananarivo)	Consistent	Consistent	Consistent
Avg. labour wages (US\$/ month) <i>Including all types of statutory dues</i>	75 to 90	40 to 50	120 to 150	45 to 90	150	400	80
Manpower availability	<ul style="list-style-type: none"> <li>• Good availability of unskilled and skilled labour</li> <li>• Upto supervisory level- Local manpower</li> <li>• Middle/Top level- Mostly expatriates</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of trainable labour &amp; rapidly increasing skilled labour</li> <li>• Upto supervisory level- Local manpower</li> <li>• Middle/Top level- Mostly expatriates</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of large pool of skilled and unskilled labour</li> <li>• Upto supervisory level- Local manpower</li> <li>• Middle/Top level- Mostly expatriates</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of large pool of skilled and unskilled labour</li> <li>• Up to middle level- Local manpower</li> <li>• Top level- Mostly expatriates</li> </ul>	<ul style="list-style-type: none"> <li>• Shortfall</li> <li>• Up to supervisory level</li> <li>• Middle/Top level- Mostly expatriates</li> </ul>	<ul style="list-style-type: none"> <li>• Shortfall</li> <li>• Up to Senior management</li> </ul>	<ul style="list-style-type: none"> <li>• Ample</li> <li>• Up to supervisory level</li> <li>• Middle/Top level- Mostly expatriates</li> </ul>
Seaport	Takoradi & Tema	Landlocked country- uses port of Djibouti	Mombasa	Tamatave(Toamasina)	Durban	Port Louis	Landlocked country- Uses Durban
Freight Cost in US\$ to EU (40 feet)	2242	2720	2862	4437	2453	4375	2453
Transit Time to EU (days)	26	21	25	47	37	41	37
Freight Cost in US\$ to US (40 feet)	4680	6491	7633	8747	7393	8575	7393
Transit Time to US (days)	28	40	44	50	22	54	22



# LONG TERM FUNDAMENTALS – OPPORTUNITY FOR AFRICA

Increasing capita fiber consumption in emerging economies

Year	World	West Europe	Turkey	North America	China	India
2007	11.7	23.7	18.0	37.8	16.0	4.6
2009	11.0	21.9	14.6	30.2	17.2	4.8
2011	12.2	23.6	16.6	34.5	19.9	5.1
2013	13.0	24.0	16.9	36.2	21.1	5.5

Other reports show even higher trends for India

Source: PCI-Fibres, The Fiber Year, ITMF

Asia is destined to put more focus on its domestic market in the coming years. Africa is therefore set to establish itself as the next sourcing destination





# WTO BALI ROUND – OVERVIEW ON COTTON & TRADE



# WTO- BALI ROUND: IMPACT ON COTTON PRODUCING COUNTRIES

- The Cotton Initiative will try to address the damage caused by cotton subsidies.
- Changes in the Countervailing Agreement
- Action can probably be taken by each country under the DSU mechanism to stop the abuse or have the problem country pay compensation if they will not.



## WTO- BALI ROUND: IMPACT ON TRADE FACILITATION, DEVELOPMENT & LDC

- Aims to cut red tape at border crossings by moving much of the WCO revised Kyoto Agreement on trade facilitation into WTO treaty law.

[http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf\\_revised\\_kyoto\\_conv.aspx](http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv.aspx)

- Least developed countries (LDCs) and developing countries (DCs) are to get better and more transparent preferential treatment and market access in developed economies with simplified rules for origin.
- Preferential treatment for LDCs for 15 years from date of agreement adoption.
- Duty-Free and Quota-Free (DFQF) Market Access will be allowed for LDCs.
- A monitoring mechanism on Special and Differential Treatment (SDT) given to developing countries.



# AMERICAN FARM BILL

- The new law shifts away from direct payments, by which farmers received cheques for doing nothing very much, towards an insurance model, where farmers get paid if crops fail or prices fall too far.
- This sounds reasonable, but the insurance schemes lock in high prices when farming is profitable, as it is at the moment: since 2008 the value of farm assets has increased by half, says the Congressional Research Service.
- 90% of the loss in revenue is paid under the insurance and not in full value



# SOURCE AFRICA - 2014



trims  
**apparel**  
casualwear footwear  
**workwear** training yarn  
denim thread **knits & wovens**  
menswear fashion accessories  
trims & fasteners home fabrics  
machinery and components

**Source Africa**

belts  
cotton  
bags

apparel textiles  
**womenswear**  
interlinings & labels  
non wovens hosiery  
**childrenswear**  
**sportswear**  
fashion brands  
mohair  
jeans

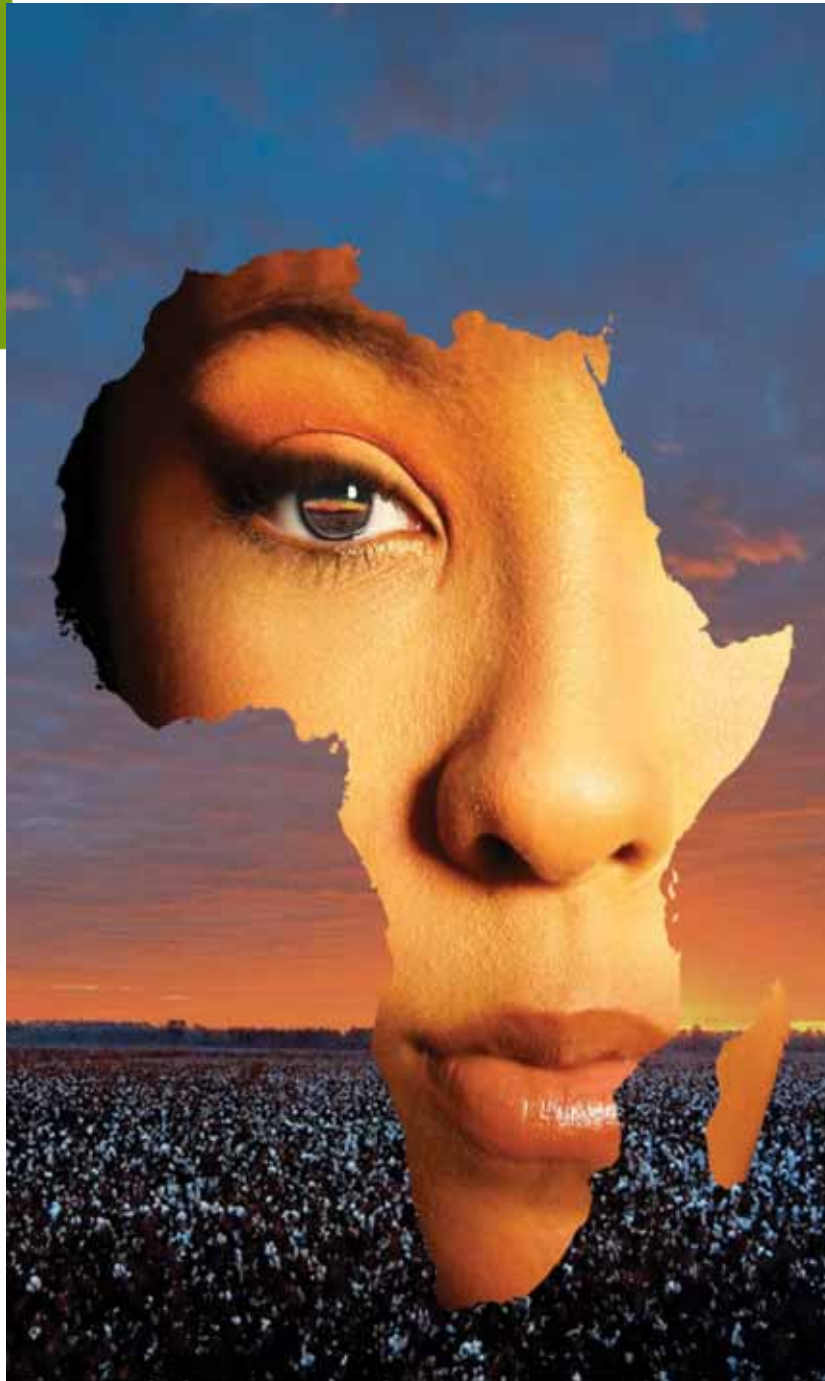
Where?  
Cape Town, South Africa

When?  
18<sup>th</sup> – 20<sup>th</sup> June 2014

More information will  
soon be available on:  
[www.sourceafrica.co.za](http://www.sourceafrica.co.za)



***Changing Perceptions, Building  
Synergy & Doing Business***



**10<sup>th</sup> - 12<sup>th</sup> November 2014  
HOTEL INTERCONTINENTAL  
Nairobi, Kenya**

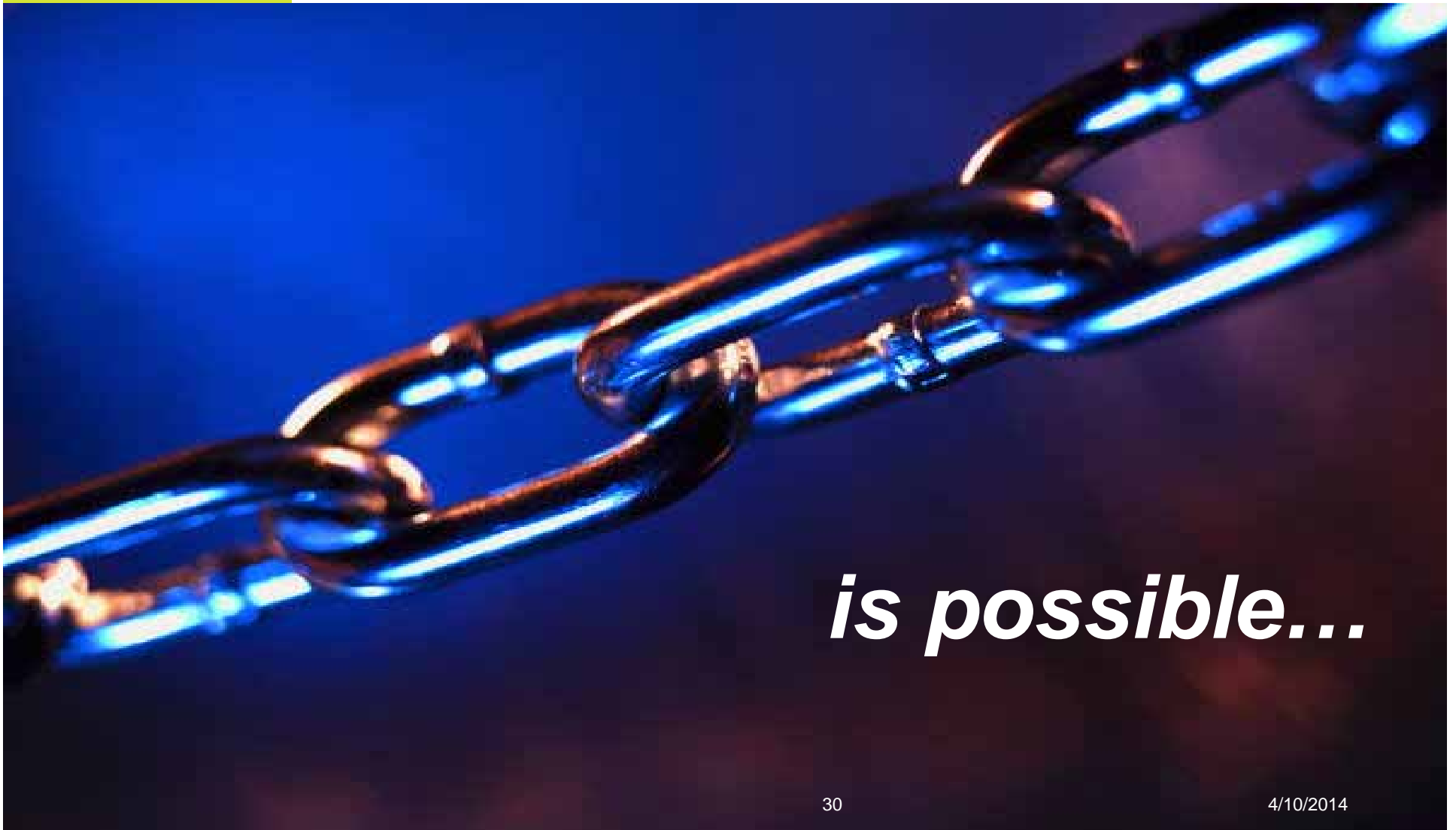
***Africa's Cotton,  
Textile & Machinery  
Trade Fair***

*fiber ● fabric ● clothing ●  
fashion ● accessories ● home ●  
décor ● machinery*

**[www.originafrica.org](http://www.originafrica.org)**



# Connecting Africa's Value Chain



*is possible...*



THANK YOU...