

Regional Cotton & Textile Executive Summit

27 & 28 April 2005

Nairobi, Kenya

Theme

“The Future Belongs to the Organised”

Regional cotton and textile body formed at inaugural Summit

The major outcome of the inaugural regional cotton and textile summit was the unanimous agreement by industry executives to form a regional African cotton and textile industry body, an initiative that was fully endorsed by the COMESA and EAC representatives present at the meeting. An interim steering committee will be set up to immediately start building cooperation, interaction and linkages within the region and to start addressing the key issues that arose from the summit.

Up to now there has been no representation for this region in the global marketplace and individual countries have tended to act in isolation. This historic new initiative will have potentially far reaching effects. For the first time, this region now has the opportunity of becoming a unified and recognized voice in both regional and global trade affairs.

The event, which attracted 150 delegates from 20 African countries, was organized by the Regional Agricultural Trade Expansion Support Program (RATES) in collaboration and in partnership with, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the International Cotton Advisory Committee (ICAC) and the East and Central Africa Competitiveness Hub; and hosted by the textile sector & apparel manufacturers of Kenya.

The summit content covered the ‘fiber to fabric’ value chain with the aim of creating a business forum that would promote and develop the concept of a regional trade community & networking structure that will stimulate profitability and growth in trade throughout the region, address key policy issues and post MFA challenges, generate information exchange, promote investment, and create international alliances and affiliations.

Key Issues that emerged

1. The post-ATC impact

- a. Post-ATC is having a profound impact on international trade in textiles and apparel and the question is whether AGOA producers would be able to retain market share as production shifts. It was expected that the market share of a number of suppliers in sub-Saharan Africa would decline and it was suggested that ‘niche’ market production should be explored more vigorously.
- b. China was expected to become “the supplier of choice” for most U.S. importers because of its ability to make almost any type of textile or apparel product, at any quality level, and at a competitive price. Delegates were reminded that the textile-specific safeguard in China’s WTO Accession Protocol was there to be used, and member countries should not hesitate to invoke the provisions if necessary.

2. AGOA third-country fabric

- a. Perhaps the most critical challenge that was identified at the summit was the negative impact of the expiration of the third-country fabric sourcing. It was confirmed by many delegates that the African textile industry does not currently have the capacity to produce the full range of yarns and fabrics (and at competitive prices) that will be necessary to maintain anywhere near the current level of apparel exports to the US – a major and serious contraction in African apparel exports was the likely result, with the attendant negative consequences on jobs, livelihoods, economies etc.
- b. With the African textile & apparel industries being so vulnerable to increased competition from China, it would be extremely unlikely that Africa could attract the investment necessary to expand and improve its capacity and to provide price-competitive yarns/fabrics by September 30th, 2007.
- c. Delegates stressed that more time was needed for the industry to become more competitive with Asian and other producers, and that the development of an integrated textile and apparel industry in Sub-Saharan Africa – from growing cotton to producing apparel for export – was of paramount importance. However investment uncertainties, and in particular the lack of access to affordable finance, has mitigated any real advances in this direction.
- d. It was agreed that the region should formulate a collective position on these issues and that there was a serious need to ensure that textiles and apparel, including adjusting to the post-ATC world, continue to be prominent on the AGOA Forum Agenda.

3. Improve productivity through skills training

Skills' training is a fundamental pre-requisite for competitiveness and an area where Africa has lacked the required productivity and skills base. A collective, regional approach was needed and the results of the recently completed UATALCO report on this subject would be assessed in this regard.

4. High cost of capital; limited credit options; lack of investment

- a. Africa continues to be among the least attractive destinations for investment and the many structural problems had to be addressed.
- b. It was cited that there were massive amounts of modern, second hand textile equipment in the US and that there was credit available – this posed the question as to why such avenues were not pursued as possible venture capital.
- c. It was recommended that again, the region as a collective entity, must pursue the concept of regional integration, pursue a regionally orientated supply chain, tackle priority transaction cost issues, and mobilize some form of international support for textile investment.

5. High transaction costs (e.g. utilities, inland transport, machine output)

Transaction costs were often extremely difficult to overcome as it most often involved individual governments who had varying priority issues to tackle. It was recommended this aspect be looked at from a regional perspective and that assessments be done on those countries that have “got it right” and to then put forward recommendations for others to emulate.

6. Regional policy constraints (tariffs / NTB)

A policy framework document had been prepared by RATES and after further consultations with stakeholders, would be released for possible adoption by COMESA and EAC.

7. Cotton subsidies

Both the United States and African countries agree that cotton subsidies be cut - the difference lay in how best to achieve those cuts. Delegates welcomed the recent announcement by the United States Administration of its intent to comply with the findings of the Panel and Appellate Body of the WTO following the case submitted by Brazil. It was recommended that developments in this regard be closely monitored.

8. Cottonafrica.com

- a. It was recognized that to collaborate on bi-lateral trade and information dissemination, a technology infrastructure powered by a database was required. Delegates welcomed the establishment of such a platform in the form of www.cottonafrica.com. The website is already being used to facilitate a regional supply chain providing real-time trade linkages, market intelligence, information exchange and trade directory data.
- b. A number of delegates who had experienced successful trade linkages by using cottonafrica.com, urged participants to utilize the site in order to gain direct access to buyers, and as a price and market discovery tool. This would be particularly advantageous for the small-medium enterprise, many of whom lacked market networks and resources.

9. Conclusion/recommendations

- a. It was recognized and agreed that individual countries within the region could no longer act in isolation and remain fragmented in the face of current and future global challenges and that a regional integration policy had to be adopted with some urgency.
- b. It was unanimously agreed that a regional trade federation (or such other descriptive name that may be adopted) be formed to increase competitiveness in the global post-quota environment, address key policy issues, build a platform for reducing constraints in regional trade, exchange information, collect market data, share regional expertise, promote a regional supply chain and to build partnerships, alliances and networks. This initiative was fully endorsed by the COMESA and EAC representatives present.
- c. It was agreed that RATES would act as the initial secretariat for the new entity and an interim steering committee will be set up to immediately start building cooperation, interaction and linkages within the region and to start addressing the key issues that arose from the summit.