



Business for Development

Trade in Textiles and Clothing Challenges for Africa

Presentation by

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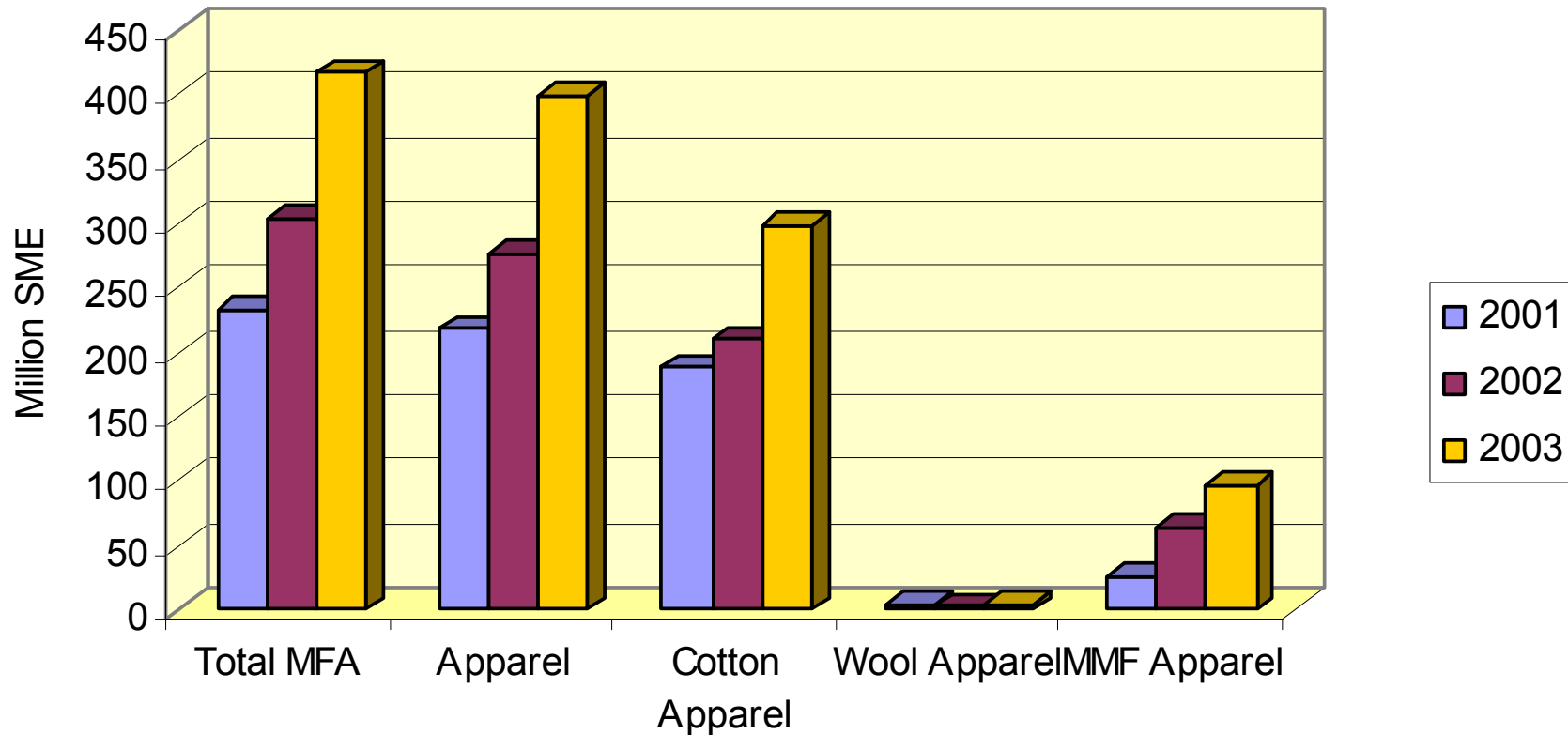
Structure





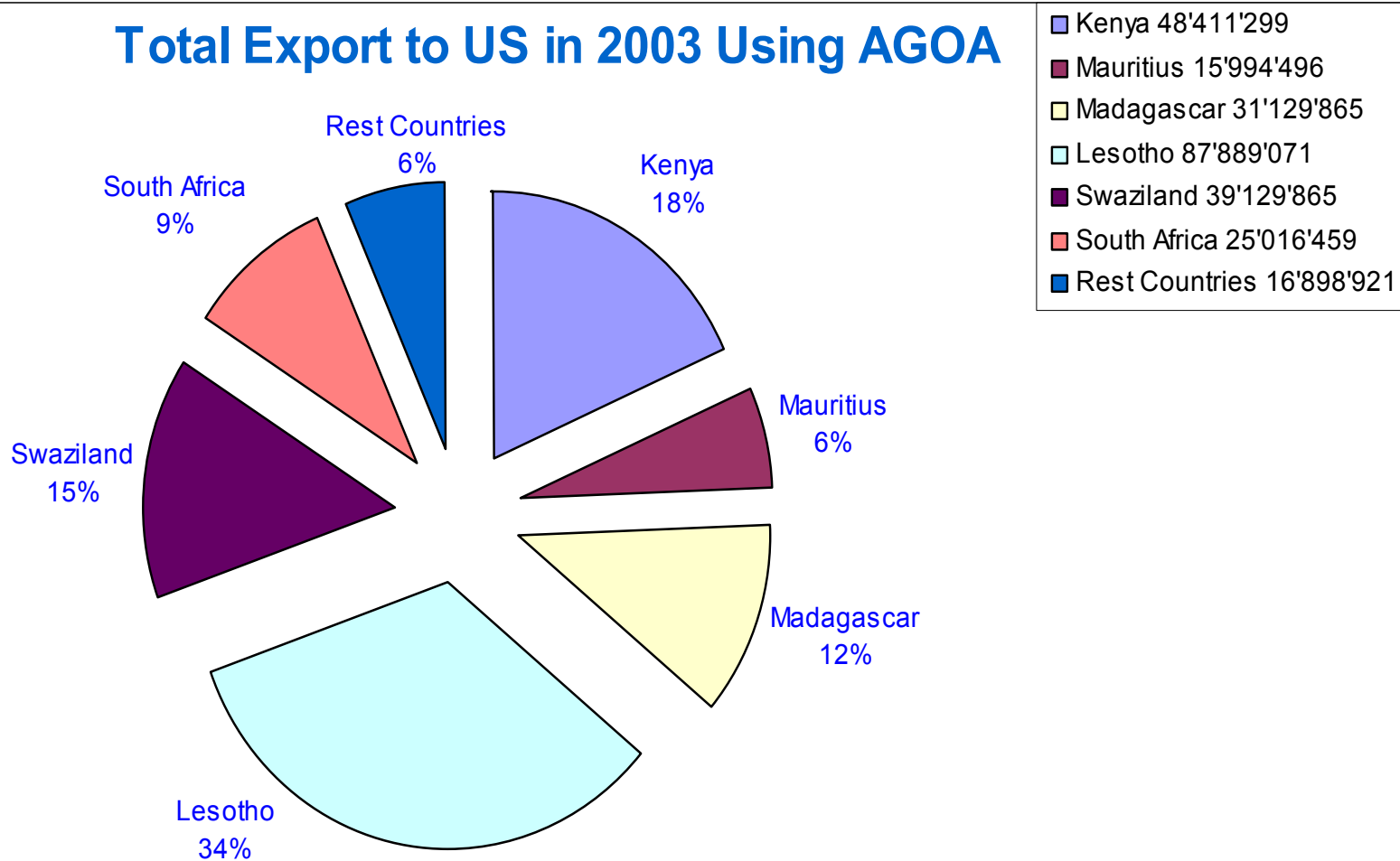
US Imports from SSA 2001 - 2003

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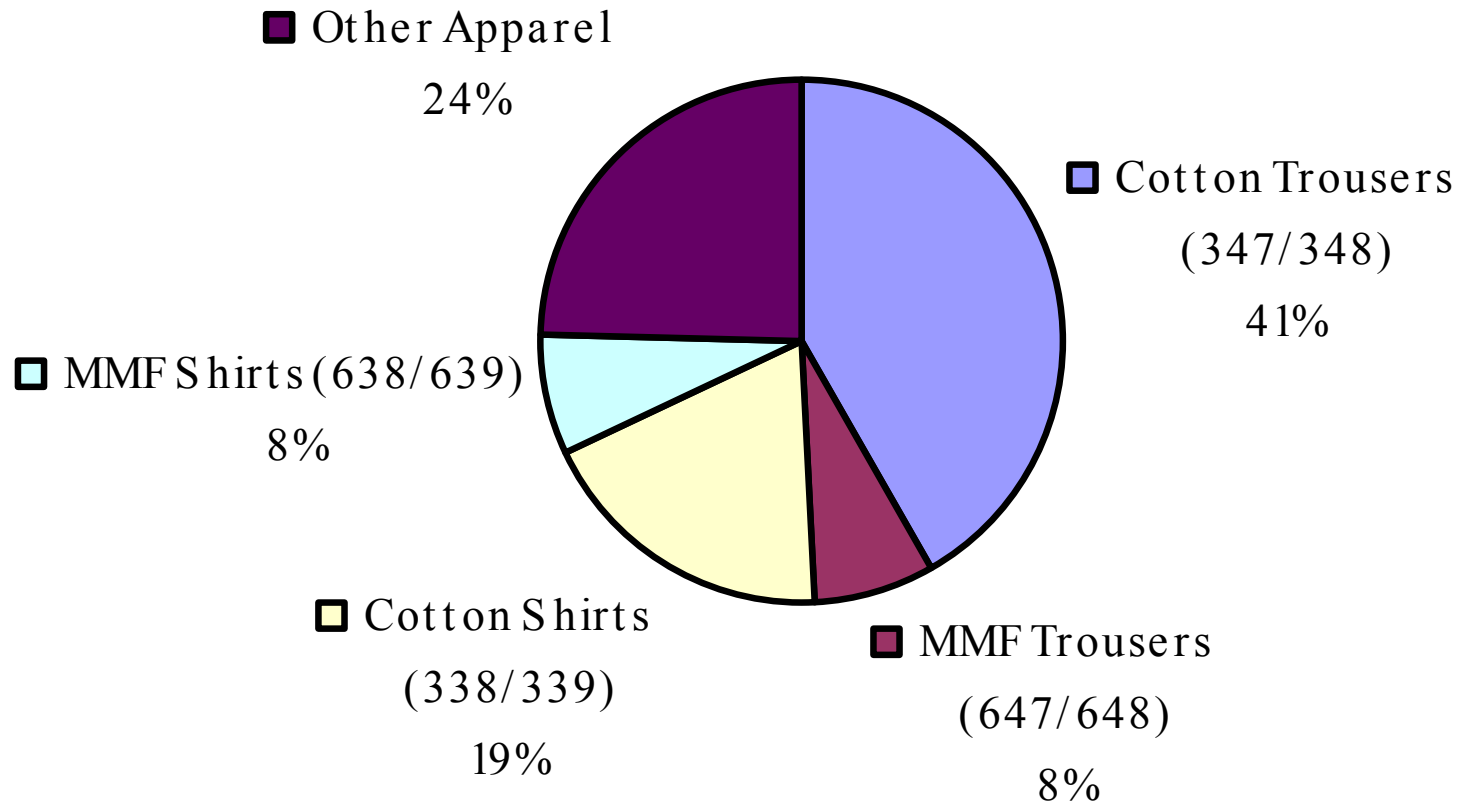
Who is using AGOA Preferences?

Total Export to US in 2003 Using AGOA





US Apparel Imports from Africa by Product





Summary: African Trade in T&C

- Exports to the US dominate & increased steadily from 2000
- 95% of all T&C exports in 2003 were clothing
- 63% of exports under AGOA
- 84.1% third country fabric; 15.9% regional fabric
- Future of third country sourcing provision vital
- Weak diversification: 73% of total SSA T&C exports to US in constraint quota categories
- Examples of categories 347/348 Cotton Trousers



Structure



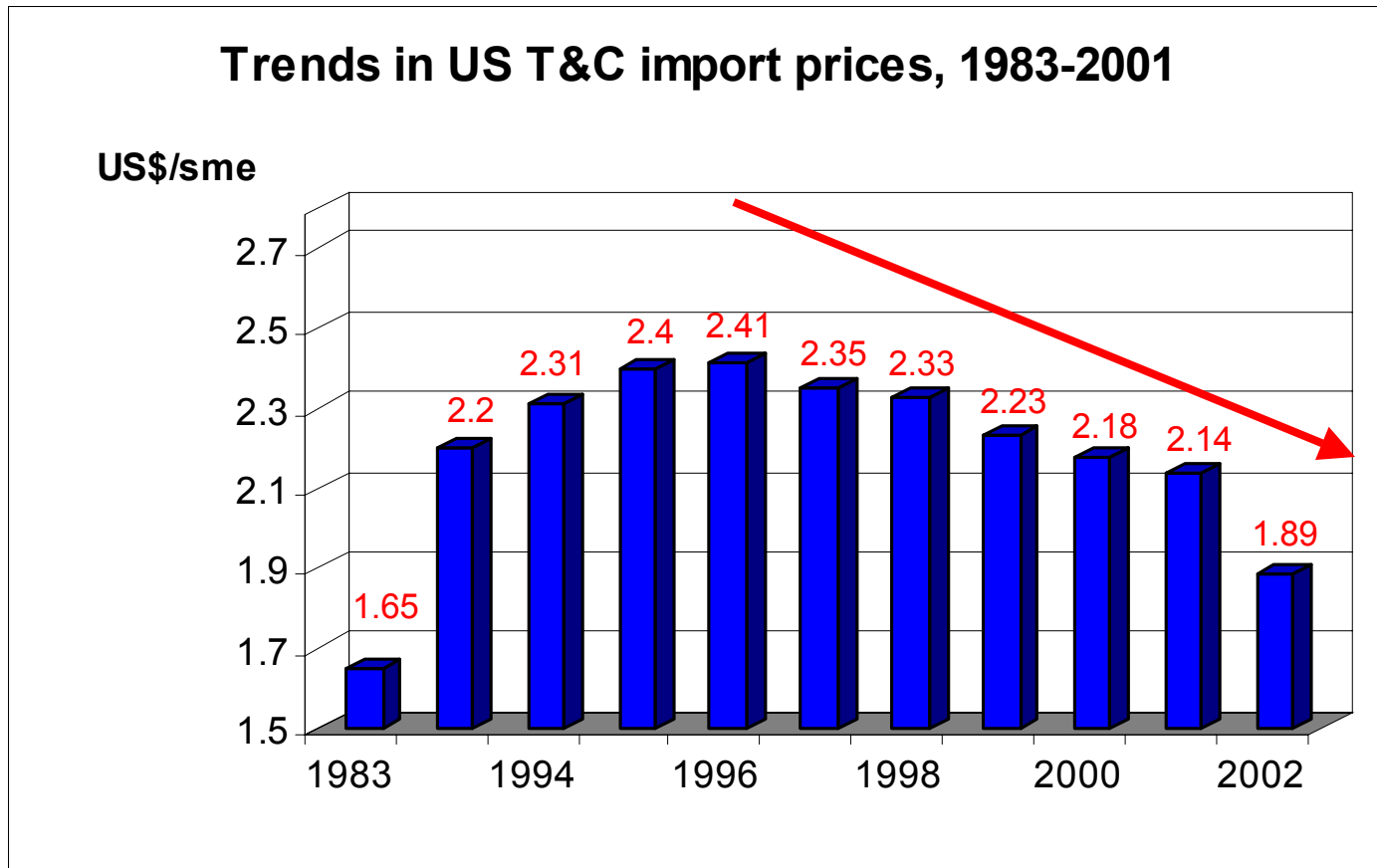


1. Challenge: Removal of the Quota System

- 1 January 2005: Integration of T&C into the normal WTO rules after 30 years of restrictions
- Artificial advantages will disappear and existing trade patterns will “blow up”
- Companies will gain market share based on competitiveness rather than quotas
- Quota-free & AGOA preferences attracted Asian investment operating in isolation (no roots & linkages)
- But: What after loss of quota-free benefits?



Prices will fall further: More supply and quota rents disappear





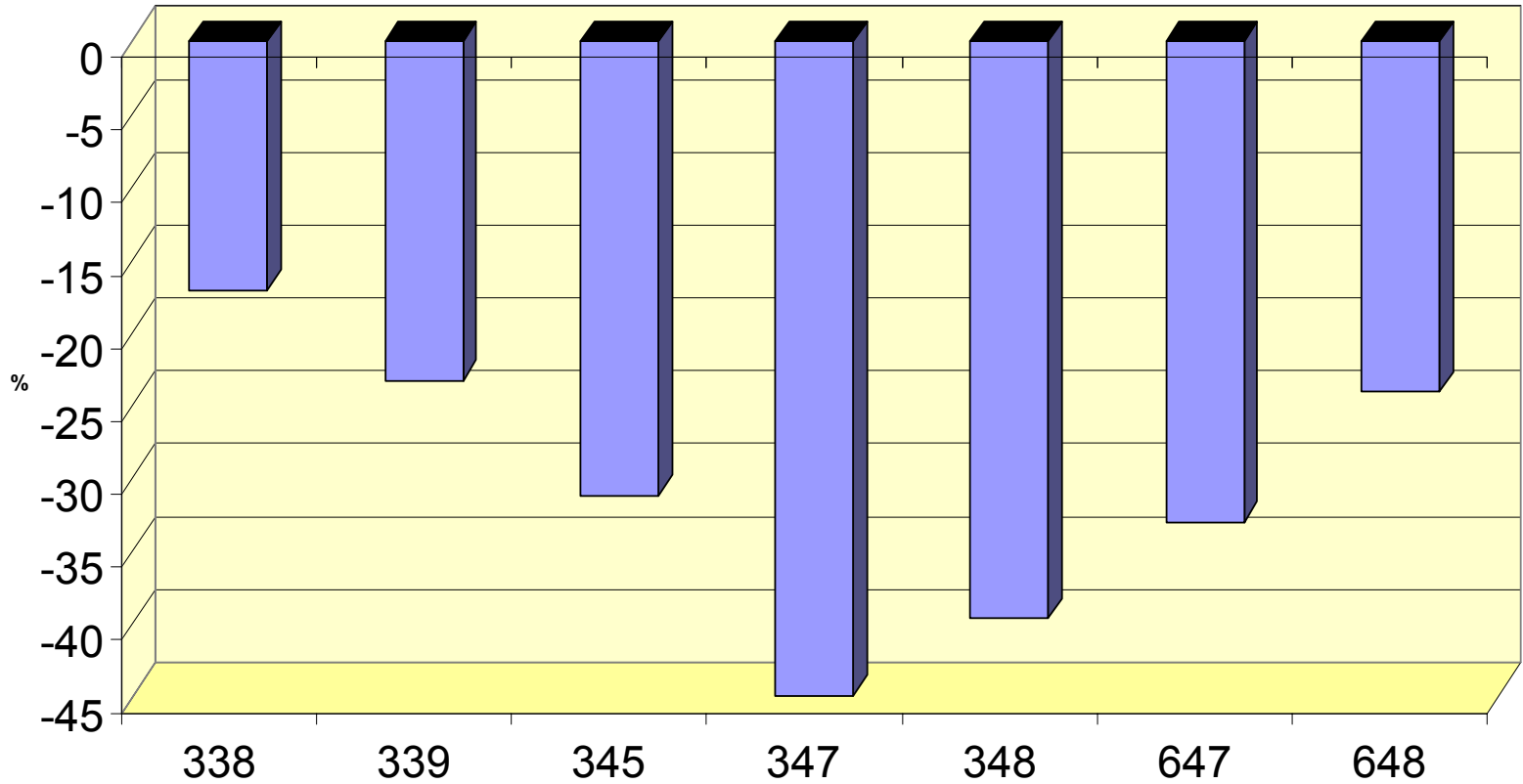
Quota costs in \$ per dozen: Cotton trousers (347/348)/MMF trousers (647/648) *

	<u>347/348</u>	<u>647/648</u>
Indonesia	12	2
Sri Lanka	7.2	2-3
Bangladesh	18-19	5
Cambodia	8.3	-
Philippines	10-12	-
Thailand	12	10
China	47	25-28 (2003)



US Imports from China: Expected Price Change due to quota removal

Quota-free Impact





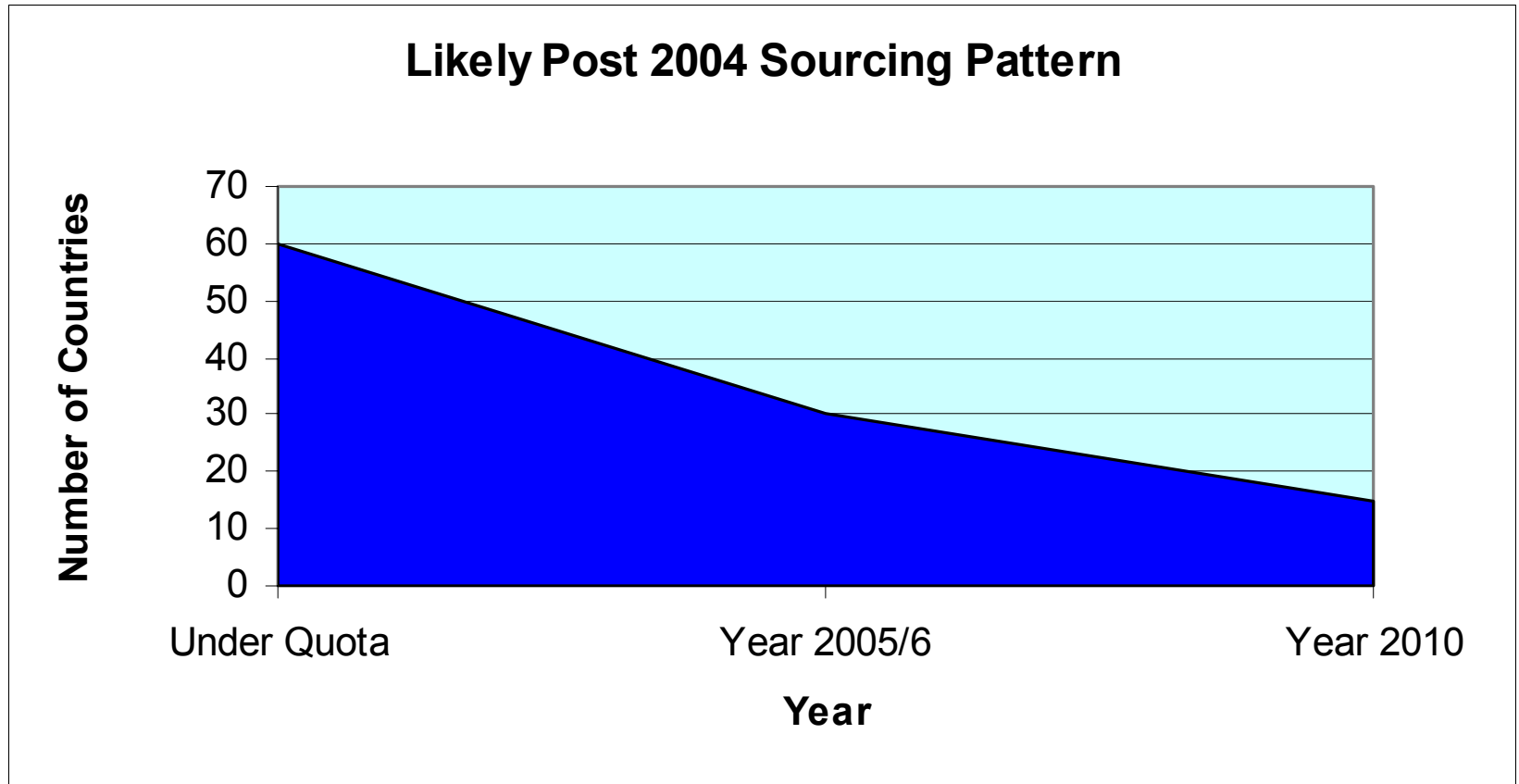
Quota Fill Rates Cotton Trousers (347)

23 countries under quota not in Africa & LA

Pakistan	88%	China	88%
Vietnam	91%	Bangladesh	87%
Turkey	83%	Indonesia	98%
India	92%	Malaysia	98%
Philippines	100%	Korea	89%
Cambodia	81%	U.A.E.	99%
Hong Kong	86%	Taiwan(PofC)	83%
Macau	85%		



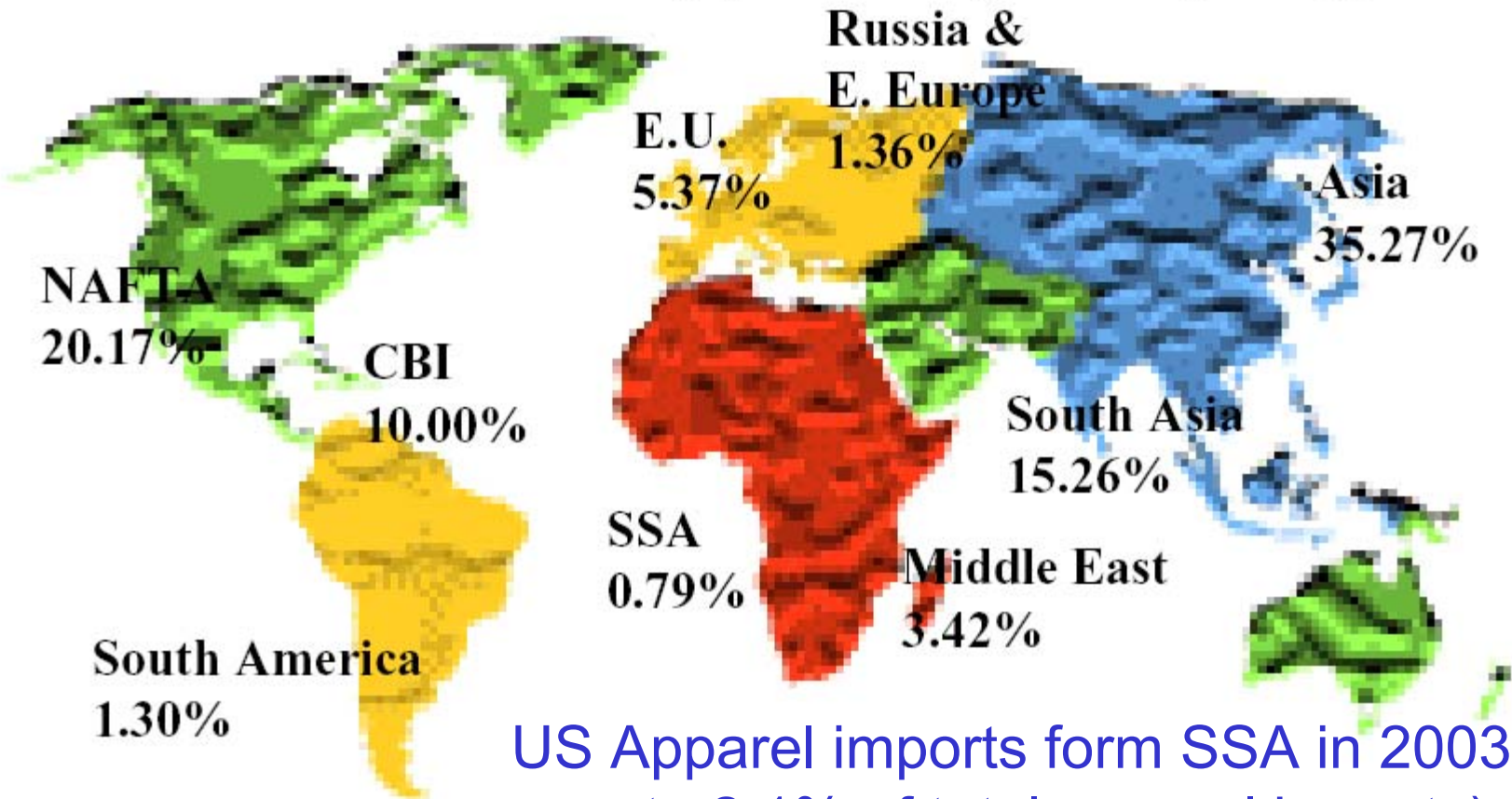
Post-2004 Sourcing Pattern





US T&C Imports by Region in 2002

U.S. Textile & Apparel Imports By Region



US Apparel imports form SSA in 2003 rose to 2.1% of total apparel imports)



2. Challenge: Erosion of Preferential Duty-free Market Access: DDA

What remains: Duty advantage

	Cotton	MMF
Knit Shirts	15.7%	28.9%
Sweaters	17.1%	32.5%
Trousers	16.7%	28.1%

DDA aims at reducing high tariffs, tariff peaks and tariff escalation



Erosion of Benefits: EU FTAs & RTAs

- EU envisaged a Euro-Mediterranean Zone
- Diagonal cumulation: Use fabrics from Egypt, trims from Turkey, assemble in Morocco and export duty-free to EU
- But: all countries need to have FTAs among them in place with identical rules of origin requirements
- Joint competitive advantage from the entire region: value chain will remain close to Europe



Erosion of Benefits: US FTAs & RTAs

CAFTA Example of US T&C Trade Policy

- 15% of US Apparel Imports (14% for 347/348)
CBI: \$2.1 garment imports/ \$1 yarn/fabric export
Asia: \$14.74 garment imports/\$1 yarn/fabric exports
LDCs: \$234 garment imports/\$1 yarn/fabric imports
- Cafta Yarn-forward rule of origin with NAFTA cumulation
- For Nicaragua: Tariff Preference Levels of 100 mio SME to use third-country inputs (45% of AGOA exports)



3. Challenge: Imposition of New Rules (FTAs, AGOA, Security)

- No quota but duties: no visa & no RofO; preferential benefits: visa & RofO
- US Customs Textile Production Verification Visits: enterprise record keeping requirements (2003: Lesotho, Swaziland, Botswana, Madagascar)
- US Customs-Trade Partnership Against Terrorism: Manufacturer monitoring to include security compliance
- Logistics: US Advance Manifest Rules: Vessel: 24 hours prior to port landing



4. Challenge: Use of Trade Remedies

- Safeguards (fairly traded imports).
- Antidumping & countervailing duties (unfairly traded imports).
- T&C products as targets for retaliation in dispute settlement cases.



5. Challenge: Requirements Imposed by Buyers

- Codes of Conduct - Ethical Sourcing
- Social sourcing as a criteria for trade.
 1. No child labour
 2. Working conditions
 3. No forced labour
 4. Compensation
 5. No discrimination
 6. Working hours
 7. Minimum wages
 8. Freedom of associations
- ECO Labelling: Remain voluntary but can reduce market access





6. Challenge: China as a WTO Member

- US clothing imports from China: 2002: +60%; 2003: +46%
- Japan: In 2001 85% of all clothing imports from China
- Australia: 69% of clothing and 21% of all textile imports from China
- EU: 3rd stage liberalisation: Imports from China increased by 46% (value) and 192% (volume)
- However, accession protocol introduces possibility of new quotas against China



7. Development of Cotton & Value-added Products

- Market Distortion by Subsidies (challenged by West Africa Initiative & Brazil)
- Stable Demand & Growing Supply of Cotton
- Price Volatility & Concentrated Mill demand
- Is there a necessary link between cotton & T&C?
- Regional Cotton & Value-added Development



Summary: / Challenges

1. Loss of Quota-free benefits
2. Erosion of Duty-free benefits
3. Imposition of new rules
4. Use of trade remedies
5. Changing Buyers Requirements
6. China as a WTO member
7. Cotton in Africa
8. Mitumba



Structure





What can Africa do?

- Strategic Response: Critical country mass
- Regional/Sub-regional Partnership in Africa
- Regionally integrated industry
- Link foreign investors to local business
- Short term: Analyse/ Improve the logistical value chain
- Medium term: capacity building in key areas of clothing business



ITC's TA to the Clothing Sector

- Need 1: Sector Strategy Development
Value Chain Analysis
- Need 2: Know your competitors
The « FiT »
- Need 3: Sourcing Information and SCM skills
Supply information and skills building
- Need 4: Understanding changing markets
Enhanced Garment-Maps
- Need 5: E-Applications in T&C
A Business Guide
- Need 6: Intra-regional trade along the value chain
South South Trade Development Approach



THANK YOU !