

**CONTINENTAL AND TRIPARTITE FTAS'
RULES OF ORIGIN AND TARIFFS:
TEXTILES AND CLOTHING**

PRESENTATION TO ORIGIN AFRICA

10 SEPTEMBER 2018

INTRODUCTION

- AU Commodity Strategy

Based on Value Addition for Global Competitiveness

Utilise Natural Resources to promote industrialisation through value addition strategies

- Cotton – Textiles – Apparel Value Chain needs extensive development

AFRICA'S TOP COTTON PRODUCERS 2018/19 (USDA)

Country	Production ('000 tons)
World	26 242
Africa	1 641
West Africa	1 196
Egypt	91
Tanzania	87
Zimbabwe	50
Zambia	44
South Africa	39
Ethiopia	38
Uganda	27
Mozambique	24
Malawi	20
Madagascar	7
Kenya	5

AFRICA'S TOP EXPORTERS OF TEXTILES AND CLOTHING (IDC)

Country	Clothing 2017 Export Value (US\$bn)	Textiles 2017 Export Value (US\$bn)
World	524,2	328,9
Africa	11,4	4,9
Morocco	3,5	0,5
Tunisia	3,3	0,3
Egypt	1,6	1,4
Mauritius	0,7	
SA	0,6	0,9
Madagascar	0,5	
Benin	-	0,4
Burkina Faso	-	0,2
Other	1,3	1,2

TRADE AGREEMENTS

- **Variety of Trade Agreements around the World**
- **Different Rules of Origin apply**
- **Textiles and Clothing usually have sector specific rules – Chapter rules**
- **Common and Differentiated Tariff Structures**
- **Tariffs and Rules of Origin form a package**

COMPETITIVENESS

- **Fundamental to any strategy**
- **Different ways of achieving it**
- **Value added Niche markets**
- **Quick turnaround short runs ignores stockholding demands by retailers**
- **Large volume production also plays a significant role locally and internationally**
- **Longer runs also critical for developing export capability**

AFCFTA

- **Rules of Origin – Textiles and Clothing**
- **Single stage or Two stage conversion**
- **AU Value Added Strategy – Cotton Value Chain**
- **Single stage – Only Labour resource utilised**
Short-term Opportunistic
- **Two stage – Value addition through Value Chain**
Long term vision – Greater Economic Development

AFCFTA

- **Rules of Origin – Textiles and Clothing**
- **Alternative rule: % imported materials**
- **High Import % = Low Value Added**
- **Rule of thumb – VA < 50%, not profitable/ non-viable**
- **AU Value Added Strategy**
- **Value addition through Value Chain**
 - Long term vision – Greater Economic Development**

AFCFTA

- **Rules of Origin – Textiles and Clothing cont.**
- **Cotton vs Synthetics Dilemma**
- **World Synthetic fibre production > Cotton**
- **Africa produces cotton but no synthetic fibre**
- **Some synthetic yarn spinning capacity**
- **Relaxed RoO for synthetics undermines Cotton potential**

AFCFTA

- **Tariffs**

Differentiated tariff structure

Distortions on inputs

Complicates Equitable Trade

EU Common Market: Uniform tariff, Common Currency

AFCFTA

Conclusion

- **Rules of Origin and Tariff Preferences form a package**
- **Principle of Free Trade vs Value Addition Strategy**
- **Value Addition requires 2-stage conversion**
- **Alternate view: 1-stage yields growth for future backward integration**
- **Alternate view: % Imported materials requires 50% Value Added**
- **Differentiated external tariffs distort competitive environment**

THANK YOU

Paul Theron

paul.theron@amsa.za.org