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Abstract

This paper analyses exports of textiles and clothing (T&C) from Sub-Saharan African countries in the decade leading to and after a phase out of the Agreement on Textile and Clothing (ATC) (Multi-fibre Agreement restrictions on T&C export)—from 1990s to 2016 using WTO and World Bank data sets—to ascertain the initial effects of the end of quotas and other restrictions on global trade in textile and clothing. Our results show a fall in exports of African countries in the aftermath of the ATC, and a simultaneous and gradual shift of increasing T&C exports by Asian countries (Asia & Pacific) into African markets at a much faster rate than their increase into the U.S. and EU markets. To the U.S, the Asian countries continue to export post-ATC at about the same levels of textile and clothing that they did before ATC phase out. Taken together, there is no clear evidence that the termination of the ATC has been a major contributing factor to the decline of Sub-Saharan Africa's T&C exports. The utilisation of safeguard mechanisms by the U.S. and the EU and the continued option to maintain tariffs and other non-tariff barriers make it difficult to trace the effects of the end of ATC, but also raise important issues that could be considered in the WTO negotiations on rules: trade remedies (safeguard and countervailing measures) since the end of ATC did not bring about "free trade" for clothing and textiles.

JEL Classification: F13, D14, D53, N27.

Key words: Multifibre Agreement (MFA), Agreement on Textile and Clothing (ATC), quota restrictions, rules negotiations, trade remedies, textile and clothing exports, Sub-Saharan Africa.

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1 Introduction

The textile and clothing industry has played an important role in the process of industrialization in many countries, including Japan, the United Kingdom, and the United States (Goto, 1989). In spite of its importance to developing countries, textile and clothing was excluded from the rules of the General Agreement on Tariffs and Trade (GATT). Major importing countries used a combination of quotas, high tariffs and nontariff measures (NTBs) on extensive scales to protect their markets, denying most developing countries export opportunity for decades. The elimination of the last set of quotas of the Agreement on Textiles and Clothing (ATC) on January 1, 2005, ostensibly brought about the end of 50 years of quantitative restrictions on global trade in textiles and clothing that characterised the three successive regimes: Short-Term Arrangement, Long-Term Arrangement and the Multi-fibre Agreement (MFA).[1] This paper analyses exports of textiles and clothing (T&C) from Sub-Saharan African countries to ascertain the initial effects of the end of quotas and other restrictions on the region's textile and clothing exports.

With the coming of the World Trade Organization in 1995, the Multi-fibre Agreement (MFA) was replaced by the Agreement on Textile and Clothing (ATC), under which a 10-year quota phasing out transitional period was agreed upon, i.e. to phase out the quota restrictions progressively in four stages as outlined in Table 1, beginning 1995 until complete elimination by 1 January 2005—along with the simultaneous increase in quota limits for goods still under constraint.

Table 1. Schedule for freeing textiles and garments products from import quotas and returning them to GATT rules

Step	Percentage of products to be brought under GATT (including removal of any quotas)	
Step 1: 1 Jan 1995 (to 31 Dec 1997)	16% (minimum, taking 1990 imports as base)	6.96% per year
Step 2: 1 Jan 1998 (to 31 Dec 2001)	17%	8.7% per year
Step 3: 1 Jan 2002 (to 31 Dec 2004)	18%	11.05% per year
Step 4: 1 Jan 2005 *Full integration into GATT (and final elimination of quotas).* *Agreement on Textiles and Clothing ends.*	49% (maximum)	No quotas left

Source: WTO.

[1] Textile and clothing was the only major manufacturing industry sub-sector that was excluded from the rules of the General Agreement on Tariffs and Trade (GATT). Although MFA was administered by the GATT, it operated under a separate regime—the Short-Term Arrangement Regarding International Trade in Cotton Textiles (STA), that was introduced in 1961, a precursor of the *Long Term Agreement Regarding International Trade in Cotton Textiles* (LTA) under the auspices of the GATT in 1962. In 1973, the LTA was transformed into the Multi-fibre Arrangement (MFA) by extending restrictions on trade in textile and clothing to include synthetic fibers and wool.

Notes: The actual formula for import growth under quotas was: by *0.1* x *pre-1995 growth rate* in the first step; *0.25* x *Step 1 growth rate* in the second step; and *0.27* x *Step 2 growth rate* in the third step.
The ATC required each of the four stages of the quota phase-out, to include the different T&C categories: textiles and clothing, wool, cotton or man-made fibres, etc., in part to make it more difficult to protect a particular segment of the clothing and textile industry during the transition.

In January of 1995, 1998, 2002 and 2005, parties to the ATC would eliminate quotas for a certain percentage of their volume of trade in clothing and textiles, and increase the quotas for those products, which were still subject to quotas, by a certain percentage, thereby opening their domestic markets to more imported goods.

However, the United States and other major importing countries were able to prolong the period of protection for product categories where domestic manufacturers held a larger market share until the final stage by selecting less traded products and/or products with under-utilized quotas for integration in the first three stages of the quotas phase out. But more importantly, the United States (and the European Union) used available trade remedies (safeguard measures) to forestall the impact of end of quantitative restrictions on clothing and textile trade, including potential expansion of textiles and clothing imports from China.

Under China's terms of accession to the WTO, the United States and other WTO members can impose safeguard measures on Chinese clothing and textiles exports if they are proven to be "disruptive" to the domestic U.S. clothing and textile markets. And if the United States can demonstrate that China's clothing and textiles exports are being subsidized in an inappropriate manner or sold below production cost, the United States can impose countervailing or antidumping duties under existing U.S. trade remedy laws on Chinese exports.

These challenges notwithstanding, the textile and clothing sector was eventually integrated into normal GATT rules on 1 January 2005. In paper, the quotas came to an end, and importing countries are no longer able to discriminate between exporters (WTO).[2] The reality about the end of ATC (MFA) generated a lot of concern in those countries that were enjoying preferential market access regimes. They worried mainly about losing their preferential access to the US and EU markets, and the level of competition expected from large Asian countries that have well established textile and clothing industries.

As shown in Table 2, textiles and is a very important component of manufacturing exports of developing countries—textiles and clothing represents more than a quarter of manufacturing exports of developing countries—three times higher than the world average. World trade in textile and clothing rose from about $140 billion (or 10 percent of manufacturing trade) in 1987

[2] The elimination of quota and other restrictions on T&C sector was delayed by another four years, from December 31, 2004 the scheduled day for the global trade in T&C to graduate into a fully quota – and license – free regime, subject to the same multilateral trade rules as other industrial products under GATT/WTO, to end of 2008.

to $736 billion in 2015– with $291 billion for textiles (SITC 65) and $445 billion apparel (SITC 84). With over 50 percent of these exports coming from developing countries, the textile and clothing is regarded as a sector of strategic importance to these countries in terms of employment, income and foreign exchange earnings.

Table 2. Share of Textile and Clothing Exports in Manufacturing Exports
(percent)

Export	1976	1980	1987	2017*
World exports				
Textiles and clothing	9.4	9.1	9.7	10.0
(1) Textiles	5.9	*5.0*	*4.5*	6.0
(2) Clothing	5.9	4.1	5.2	5.6
Developing country exports				
Textiles and clothing	32.2	27.9	28.0	30.1
Textiles	16.2	11.4	9.1	12.5
Clothing	16.0	*16.5*	18.9	20.2

Source: Data from 1976–1987 taken from Goto (1989) based on United Nations trade statistics. *2017 figures, author's estimates.

However, the gains to developing countries from international trade in textiles and clothing was severely reduced as major importing countries used a combination of quotas, high tariffs and nontariff measures (NTBs) on extensive scales to protect their markets. Table 3 shows the tariff rates on textile and clothing after the Tokyo round of GATT negotiations, which was almost three times higher than that on manufactured goods as a whole.

Table 3. *Tariff Levels for Textiles and Clothing after the Tokyo Round*
(percent)

Country group	*Fibres*	*Yarns*	*Fabrics*	*Clothing*
United States	3.5	9.0	11.5	22.5
Canada	3.0	13.0	21.5	24.0
Japan	0.5	*6.5*	*9.5*	14.0
European Community	0.5	7.0	10.5	13.5
Austria	0.0	7.0	23.5	37.0
Finland	0.5	6.5	28.5	39.0
Sweden	0.5	7.5	13.0	14.0
Switzerland	0.0	*3.5*	8.5	11.0
Simple average	1.1	7.5	15.8	21.9

Source: GATT 1984, p. 69, reproduced in Goto (1989), cited in Ayoki (2016)

In addition, the percentage of textile and clothing imports subject to non-tariff measures (NTBs) was two to three times that for manufactured imports as a whole (Goto, 1989). Because MFA restrictions were imposed only on low-cost suppliers, textile and clothing imports from developing countries were more likely to be subject to NTBs than those from industrial countries. By the end of 1980s, there was compelling evidence that the export revenue of developing countries that was lost as a result of MFA restrictions was substantial. Goto (1989) found that the growth of textile and clothing exports from developing countries as a whole (i.e.

textiles and clothing combined) was substantially lower than that of their manufacturing exports. He attributed this (in part) to MFA restrictions on textile and clothing exports and partly to the shift of developing country exports toward capital-intensive products, such as consumer electronics and machinery.

Industrialised countries have been the major export destination for T&C exports from developing countries (Table 4). They (industrialised countries) are the destination of more than 70 percent of world textiles and clothing trade, with the EU and the US as the biggest importers. It would be interesting to see what has happened to these figures since the end of ATC.

Table 4. Textile and Clothing Exports from Developing Countries by Destination
(percent)

Export Destination	1965	1973	1978	1983
Textiles				
(1) Industrial countries	58.2	*62.3*	*51.6*	49.9
(2) Developing countries	41.8	37.7	48.4	50.1
Clothing				
(1) Industrial countries	79.3	90.0	85.8	87.3
(2) Developing countries	20.7	10.0	14.2	12.7

Source: Goto (1989) based on data from International Labour Office 1987, p. 11.
Note: Eastern Europe and the U.S.S.R. not included.

MFA was renewed four times; after its initial term expired in 1977, until it was replaced by the Agreement on Textile and Clothing (ATC) in 1995, and phased out in January 2005. Considering the concern that the end of MFA generated, especially in Sub–Saharan countries that enjoyed preferential market access regimes, we step back and look at the textiles and clothing (T&C) exports of Sub-Saharan African countries, to ascertain the initial effects of the end of quotas and other restrictions on global trade in textile and clothing. If there has been a shift in clothing production and exports from the more restricted Asian Big Three (China, India, Bangladesh) toward developing countries that are less restricted as a result of the discriminatory nature of the MFA quotas and other restrictions, how does that contribute to textile and clothing industry in Africa? Is Africa a beneficiary of that shift? These and other related questions are important from trade policy stance.

Understanding the effects of the departure of ATC is important for devising policies at regional and multilateral levels (even unilateral level for preference giving countries) for improving textiles and clothing exports in Sub-Saharan Africa. The post-MFA/ATC literature on T&C exports in developing countries[3] have concentrated primarily on the Asian developing

[3] For example, Goto (1989) found that a dramatic growth of clothing exports from developing countries occurred in spite of a high level of tariffs and nontariff barriers.

countries—Mainland China, India, Turkey, the Republic of Korea, Hong Kong, Viet Nam, Bangladesh, Mexico and Indonesia—with very little reflection on Africa.

The rest of the paper is organized as follows: the second section provides a brief account of the participation of developing countries in world textiles and apparel trade. The third and the fourth sections delve on Sub-Saharan Africa's T&C exports to the U.S. and Europe, respectively; followed by a discussion on Asian investment in Sub-Saharan Africa (T&C sector) in section five, and section six concludes.

2 Developing countries in world textiles and apparel trade

2.1 Post–World War II global trade in T&C

Since the end of World War II, global leadership in T&C production has changed several times; from North America and Western Europe to Japan in the 1950s and early-1960s, and from Japan to the East Asian Tigers (Hong Kong, Taiwan, Singapore, and South Korea) in the early 1970s. In the 1980s, the tide turned, with production migrating from East Asian Tigers to other developing economies, including Mainland China, and several Southeast Asian countries, and eventually to South Asia, Central America and the Caribbean and Sub-Saharan Africa in the 1990s. Over the years, the global market for T&C has deepened and widened significantly with increasing participation of the less developed countries.

In the late 80s developing countries overtook developed countries in their share of T&C exports. The share of developing countries in global T&C exports grew despite the quotas and other restrictions. By 1987 developing countries' share in world T&C exports was 52 percent, which grow to over 65 percent by 2016. Their share in world manufacturing exports was only 18 percent by 1987. Developing countries now account for close to one-fourth of global exports of manufactures.

Table 5. Developing Countries' Share of World T&C Exports
(percent)

Export	1976	1980	1987	2016*
Textiles and clothing	32.2	40.6	52.0	65
(1) Textile	26.0	30.0	36.4	50
(2) Clothing	43.1	57.7	65.6	70
Manufacturing	9.4	13.2	18.1	--

Source: Goto (1989) based on United Nations trade statistics. * WTO and other sources.

Growth of clothing exports outpaced that of textile (which always lagged behind that of manufactures) through the 1970s and the 1980s. Developing countries showed strong competitiveness particularly in clothing exports, with a share of about 66 percent of world exports in 1987. Because clothing is a relatively labour intensive industry, developing countries (being labour-abundant) have a comparative advantage in its production. Interestingly, liberalization of T&C did not turn the tide against developing countries as some had predicted. The developing countries still account for more than half of the world textile exports and almost three quarters of the world clothing exports. The neutral impact from total quota dismantling, and resilience of these countries post-MFA reflects their ability to adjust to changing market circumstances. However, this general picture can conceal a lot of information given heterogeneity among developing countries.

2.2 Post–MFA global trade in T&C

2.2.1 Increasing role of developing countries

Since the phasing out of the restrictive MFA regimes, the share of the developing countries in the global T&C trade has been on the rise, while that of the developed countries has been declining. The combined share of the EU and the USA in global textiles exports declined from 40.9 percent in 2005 to 27.6 percent in 2016, and in the global clothing exports from 32.7 percent in 2005 to 27.7 percent in 2016 (Tables 6 and 7). Their post-MFA (2010–2016) combined annual growth in the share in world textiles and clothing exports after the elimination of quotas and restriction was -13.2 percent and -6.7 percent, respectively.

2.2.2 The role of Asia

Asian countries remain the major players in the world's textile market and important customers in the cotton market. China, for example, increased its share in world textiles exports by 26.8 percentage between 2000 and 2016 (Table 6) and by 18.2 percentage points in world clothing exports during the same period (Table 7).

Between 1985 and 1990, India's apparel exports increased from $914 million to $2.5 billion, and reached 16.8 billion in 2013 (Dowlah, 2016). In 2000 (five years since the phasing out of the MFA began), India emerged as one of the top 10 clothing exporters in the world. Between 2000 and 2016, India's share of global textile exports almost doubled, from 3.6 percent to 5.7 percent when its textiles export reached a total of US$16 billion and clothing exports,US$18 billion—making it the sixth largest in clothing trade and the fourth largest in global textile trade (Tables 6 and 7).

Table 6. Shares in world textile exports of top 10 exporters, 2000 - 2016

	Value US$ billion	Share in world exports(PERCENT)				Annual percentage change			
	2016	2000	2005	2010	2016	2010-16	2014	2015	2016
China a	106	10.4	20.2	30.5	37.2	5	5	-3	-3
European Union (28)	65	36.7	34.8	27.0	23.0	-1	4	-14	1
extra-EU (28) exports	20	9.9	9.9	8.1	7.1	0	3	-14	0
India	16	3.6	4.1	5.1	5.7	4	5	-6	-6
United States of America	13	7.1	6.1	4.8	4.6	1	3	-4	-5
Turkey	11	2.4	3.5	3.6	3.8	3	3	-12	0
Korea, Republic of	10	8.2	5.1	4.3	3.5	-1	-1	-11	-6
Pakistan b	9	2.9	3.5	3.1	3.2	2	-3	-9	9
Chinese Taipei	9	7.7	4.8	3.9	3.1	-1	0	-6	-8
Hong Kong, China	8	...	...	...	...	-6	-9	-7	-13
domestic exports	0	0.8	0.3	0.1	0.0	-19	-32	-30	-9
re-exports	8	...	...	...	...	-6	-8	-7	-13
Viet Nam b	7	0.2	0.4	1.2	2.4	14	16	16	9
Above 10	**246**	**80.0**	**82.8**	**83.6**	**86.6**	-	-	-	-
EU and USA combined	78	43.8	40.9	31.8	27.6	-13.2			

Source: WTO

Between 2000 and 2016, Bangladesh's share of world exports in clothing more than doubled, from 2.6 percent to 6.4 percent (Table 7). Turkey increased its share of world textiles exports from 2.4 percent in 2000 to 3.8 percent in 2016 and of its clothing exports from 3.3 percent in 2000 to 4.2 percent in 2005. Turkey's clothing export reached a total of US$16 billion in 2016, corresponding to 3.4 percent share of global textile exports, down from 3.6 percent in 2010 and 4.2 percent in 2005.

Vietnam saw a 10-fold increase in its share in global textiles exports between 2000 and 2016 and over five-fold increase in its share in world clothing exports (Tables 6 and 7). Bangladesh (an LDC), which stepped into the export-oriented clothing production in the late-1970s and early-1980s is now second only to China in global clothing exports on single county basis.

Table 7. Shares in world clothing exports of top 10 exporters, 2000 - 2016

	Value US$ billion	Share in world exports (PERCENT)				Annual percentage change			
	2016	2000	2005	2010	2016	2010-16	2014	2015	2016
China a	161	18.2	26.6	36.7	36.4	4	5	-7	-7
European Union (28)	117	28.6	30.9	28.4	26.4	3	7	-12	4
extra-EU (28) exports	28	6.4	6.7	6.2	6.3	4	4	-14	1
Bangladesh b	28	2.6	2.5	4.2	6.4	11	5	8	6
Viet Nam b	25	0.9	1.7	2.9	5.5	15	18	16	5
India	18	3.0	3.1	3.2	4.0	8	14	3	-2
Hong Kong, China	16	...	...	...	...	-7	-6	-10	-15
domestic exports	0	5.0	2.6	0.1	0.0	-26	-16	-37	-38
re-exports	16	...	...	...	...	-7	-6	-10	-15
Turkey	15	3.3	4.2	3.6	3.4	3	8	-9	0
Indonesia b	7	2.4	1.8	1.9	1.7	1	0	-1	-2
Cambodia b	6	0.5	0.8	0.9	1.4	13	6	11	6
United States of America	6	4.4	1.8	1.3	1.3	3	4	0	-6
Above 10	**384**	**68.9**	**76.0**	**83.2**	**86.4**	-	-	-	-
EU and USA	123	33	32.7	29.7	27.7	-6.7			

a Includes significant shipments through processing zones. b Secretariat estimates, c Imports are valued f.o.b.

2.2.3 Declining share of the Quad countries in global T&C imports

The combined share of the Quad countries—the EU, the USA, Canada and Japan—in global clothing imports declined from 86.2 percent in 2005 to 65 percent in 2016 (Table 8), and their post-MFA (2010–2016) combined annual growth in the share in world clothing imports dropped by 15.4 percent, translated in 11.8 percentage decline in share in world imports from 76.8 percent to 65 percent during this period. The combined share of the EU and the USA, Canada and Japan—in global textiles imports declined from 46.8 percent in 2005 to 35.2 percent in 2016, and their post-MFA (2010 – 2016) combined annual growth in the share in world textiles imports was -10.7 percent (Table 9).

Table 8. Shares in world clothing imports of top 10 importers, 2000 - 2016

	Value in US$ billion	Share in world imports (PERCENT)				Annual percentage change			
	2016	2000	2005	2010	2016	2010-16	2014	2015	2016
European Union (28)	175	41.1	47.3	45.2	37.4	1	9	-10	-3
extra-EU (28) imports	95	19.6	23.4	24.0	20.4	1	9	-8	0
United States of America	91	33.0	28.7	22.1	19.5	2	2	4	-6
Japan	28	9.7	8.1	7.3	6.1	1	-7	-8	-1
Hong Kong, China	13	...	...	...	...	-4	-2	-8	-11
retained imports b	...	0.9	...	...	...	...	...	...	...
Canada c	10	1.8	2.1	2.2	2.0	2	1	-2	-3
Korea, Republic of	9	0.6	1.0	1.2	1.8	12	12	0	2
China a	7	0.6	0.6	0.7	1.4	17	15	7	1
Australia c	6	0.9	1.1	1.3	1.4	5	4	1	-3
Switzerland	6	1.6	1.6	1.4	1.3	2	4	-8	6
Russian Federation c	6	0.1	0.3	2.0	1.2	-4	-6	-34	3
Above 10	**338**	**90.3**	**90.8**	**83.5**	**72.1**	-	-	-	-
EU, USA, Japan, Canada	304	85.6	86.2	76.8	65	-15.4	-	-	-

a Includes significant shipments through processing zones; b Secretariat estimates; c Imports are valued f.o.b.

The two main world consumers of textile except Vietnam, Bangladesh, Indonesia

Table 9. Shares in world textile imports of top 10 importers, 2000 - 2016

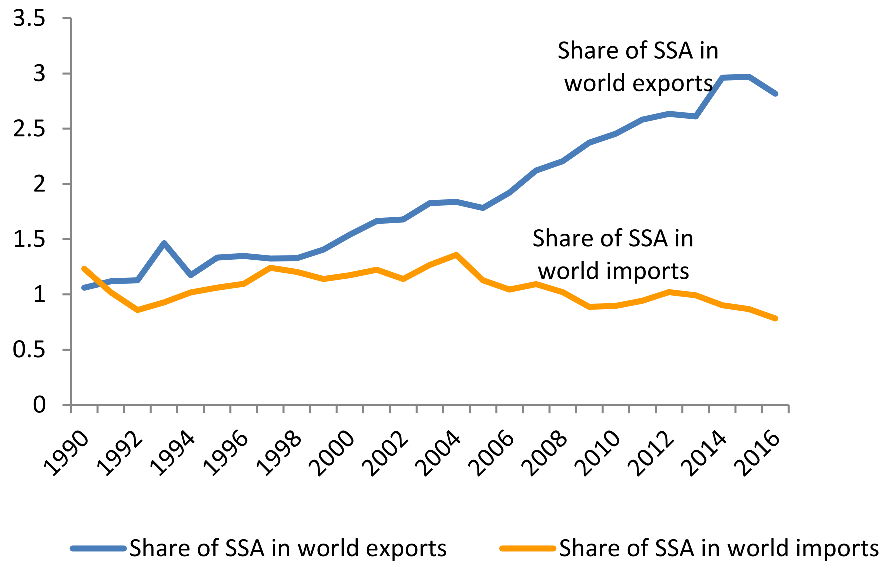
	Value $ billion	Share in world imports (PERCENT)				Annual percentage change			
	2016	2000	2005	2010	2016	2010-16	2014	2015	2016
European Union (28)	69	35.2	33.6	27.9	22.9	-1	6	-12	-6
extra-EU (28) imports	29	9.9	10.0	10.1	9.7	1	9	-9	1
United States of America	29	9.8	10.5	8.8	9.5	4	4	5	-3
China a	17	7.8	7.2	6.6	5.5	-1	-6	-6	-12
Viet Nam b	13	0.8	1.6	2.6	4.3	11	14	10	-1
Japan	8	3.0	2.7	2.7	2.8	2	2	-8	2
Hong Kong, China	7	...	...	...	...	-7	-10	-9	-13
retained imports b	...	0.9	0.3	0.1	...	...	...	...	...
Bangladesh b	7	0.8	1.1	1.7	2.4	8	14	4	2
Mexico a,c	6	3.6	2.8	1.9	2.1	3	4	2	-4
Turkey	6	1.3	2.1	2.5	2.0	-1	5	-12	-2
Indonesia b	6	0.8	0.4	1.6	1.9	5	0	-2	1
Above 10	**161**	**64.0**	**62.3**	**56.3**	**53.5**	-	-	-	-
EU, USA, Japan combined	106	48	46.8	39.4	35.2	-10.7	-	-	-

a Includes significant shipments through processing zones; b Secretariat estimates; c Imports are valued f.o.b.

2.2.4 Participation of Sub-Saharan Africa

Figure 1 shows a rise in the share of SSA as a group in world T&C exports over the last 20 years and a declining trend in their share in world T&C imports. Despite increased participation of Sub-Saharan Africa in world T&C exports, its share remains very low, below 3 percent (in 2016). This low share of SSA in world T&C export is compounded by a concentration of exports in a few countries such as Lesotho, Kenya, Madagascar, Mauritius, South Africa, Swaziland and Tanzania, and in a few export markets, those of industrialised countries and especially the EU and the US. In most cases, such concentration has been facilitated, among other factors, by the existence of trade barriers among African countries; while preferential access as well as the protection from other competitors offered by the quotas may have encouraged dependency on these products for export earnings.

Figure 1. Share of Sub-Saharan in world T&C trade, 1990–2016



World Bank WITS database

2.3 T&C export intensity and dependency

As shown in Table 10, many developing countries rely on earnings from the textile and clothing sector for a substantial portion of their foreign exchange earnings. Textile alone accounted for 49 percent of Pakistan's merchandise exports in 2000, clothing for 50 percent of Sri Lanka's. Among the least developed countries, textile and clothing accounted for 84 percent of Bangladesh's merchandise export in 2000.

Table 10. T&C share of export earnings in selected developing countries, 2000

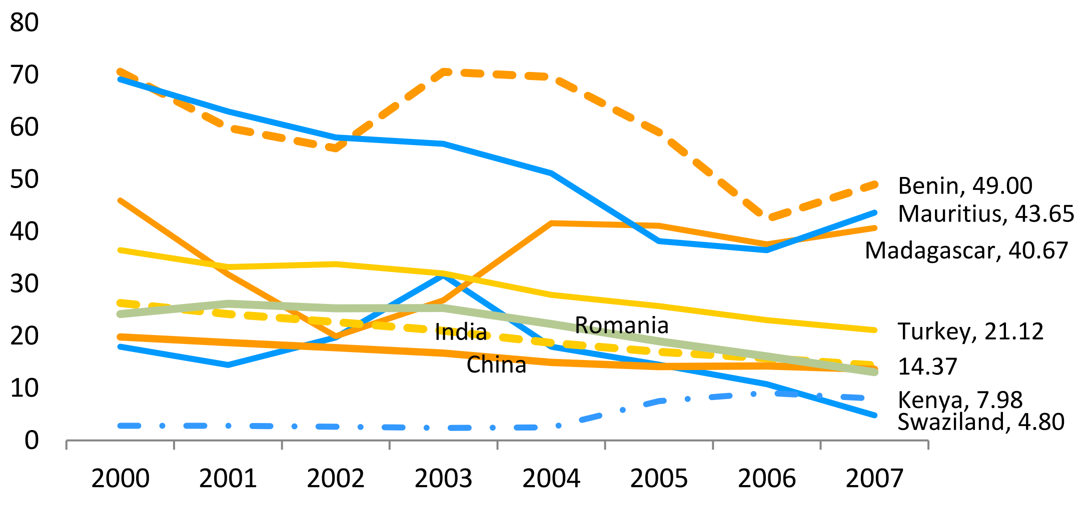
Country	% of Total Export Earnings in 2000			GDP per capita dollars
	Textiles	Clothing	T&C	
Bangladesh	9	75	84	343
Pakistan	49	23	72	436
Mauritius	5	64	69	3773
Sri Lanka	4	50	54	862
Nepal	32	21	53	239
Tunisia	2	40	42	2.058
Turkey	14	25	39	2.999
Morocco	2	32	34	1.116
Madagascar	29	1	30	243
Haiti	2	28	30	497
India	14	14	28	453

Source: WTO

Many developing countries are highly dependent on textiles and clothing (T&C) exports, particularly the LDCs. Bangladesh, Laos, Macao, Cambodia, Pakistan, Sri Lanka, and Nepal, are among those countries that maintain the highest share of total industrial goods exports of T&C exports in recent years (ranging from 60 to over 90 percent). Behind this first group we have Tunisia, Morocco, Turkey, India and Romania, with 20 to 30 percent of their export basket occupied by T&C export.

These ratios are higher for some countries when we consider their share of T&C exports to their total exports to the EU: Tunisia and Morocco above 53 percent, Turkey (47%), and Romania (36%). This ratio is also high for India (above 35%), Indonesia (27%) but lower for China (below 20%). This shows high market concentration in a single market (EU) which heightens their vulnerability to external shocks. High dependency on textiles and clothing exports (as illustrated by T&C export product share in Figure 2) shows the continued vulnerability of these countries to sudden changes in the trading environment for the sector.

Figure 2. Textiles and clothing export product share (%)



Source: World Bank - WITS

T&C products play a significant role in developing countries' export baskets especially for Bangladesh, Cambodia, Pakistan, Sri Lanka, Turkey, Vietnam and Lesotho (Table 11). This high export concentration poses a challenge for many developing economies especially LDCs.

Table 11. Developing countries' clothing exports (selected countries), 1990 - 2016

	Exports in US$ million					Shares in economy's merchandise exports		
Country	1990	2000	2005	2010	2013	2005	2010	2013
Bangladesh[a]	643	5,067	6,418	15,660	23,501	74.1	81.6	80.7
Cambodia[b]	45	970	2,199	3,041	5,095	71.5	60.5	54.8
China[c]	9,669	36,071	74,163	129,838	177,435	9.7	8.2	8.0
India	2,530	5,965	8,290	11,246	16,843	8.8	5.2	5.4
Indonesia	1,646	4,734	5,106	6,820	7,692	5.7	4.3	4.2
Malaysia[c]	1,315	2,257	2,479	3,880	4,586	1.8	2.0	2.0
Mexico[c]	587	8,631	7,271	4,363	4,530	3.4	1.5	1.2
Pakistan	1,014	2,144	3,604	3,930	4,549	22.5	18.4	18.1
Sri Lanka[b]	638	2,812	2,877	3,491	4,511	45.3	41.1	45.3
Thailand	2817	3,759	4,085	4,300	4,100	3.7	2.2	1.8
Turkey	3,331	6,533	11,818	12,760	15,408	16.1	11.2	10.2
Vietnam[b,c]	—	1,821	4,805	10,839	17,230	14.4	15.0	13.0
World	108,129	197,635	275,639	315,464	460,268	2.7	2.4	2.5

Source: Dowlah, Caf. 2016. International Trade, Competitive Advantage and Developing Economies: How less developed countries are capturing global markets**, New York:** Routledge.

Notes: a Figures refers to fiscal year; b includes Secretariat estimates; c includes significant exports from processing zones

Table 12. Shares in world textile exports (of major exporting countries), 1990 - 2016

	Exports in US$ million				Shares in economy's merchandise exports		
Country	1990	2000	2010	2013	2005	2010	2013
Canada	687	2,204	1,907	1,906	0.7	0.5	0.4
China[ab]	7,219	16,135	76,900	106,578	5.4	4.9	4.8
EU(27)	—	56,737	67,108	72,150	1.7	1.3	1.2
India[b]	2,180	5,593	12,872	18,907	8.4	6.0	6.0
Hong Kong	8,213	13,441	11,307	10,718	4.7	2.8	2.0
Indonesia	1,241	3,505	4,150	4,632	3.9	2.6	2.5
Japan	5,871	7,023	7,086	6,841	1.2	0.9	1.0
Mexico[a]	713	2,571	1,928	2,446	1.0	0.6	0.6
Pakistan	2,663	4,532	7,848	9,341	44.2	36.7	37.1
South Korea	6,076	12,710	10,968	12,043	3.7	2.4	2.2
Taiwan	6,128	11,891	9,753	10,246	4.9	3.6	3.4
Thailand	928	1,958	3,761	3,874	2.5	1.9	1.7
Turkey	1,440	3,672	8,964	12,157	9.6	7.9	8.0
UAE[b,c]	6	1,289	1,812	2,736	1.4	1.0	0.7
United States	5,039	10,952	12,168	13,924	1.4	1.0	0.9
Vietnam[b]	—	299	2,660	4,786	2.2	3.7	3.6
World	104,354	154,860	250,652	305,898	2.0	1.7	1.7

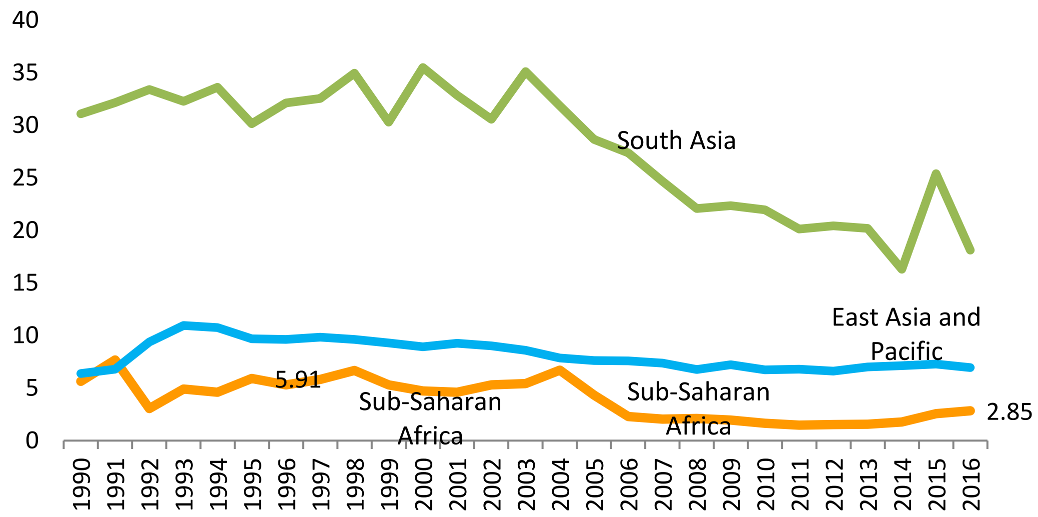
Source: Dowlah, Caf. 2016. International Trade, Competitive Advantage and Developing Economies: How less developed countries are capturing global markets**, New York:** Routledge.

Notes: a Figures refers to fiscal year; b includes Secretariat estimates; c includes significant exports from processing zones

Lesotho, for example, relies mainly on apparel industry, which account for over 60 percent of exports basket. In the case of China, the share of T&C in the overall merchandise exports is declining. As Table 11 indicates, in 2005, clothing exports had a 9.7 percent share in Chinese merchandise export, which fell to 8 percent in 2013, while textiles exports had 5.4 percent and fell to 4.8 percent. Nonetheless, Chinese T&C sector remains the largest employer in the T&C industry in the world, with 6.7 million workers in the textiles and 4.5 million in clothing in 2010 (Dowlah, 2016) .

The T&C sector accounted for 5.9 percent of Sub-Saharan Africa's exports basket in 1995, increasing to 6.7 percent in 2004. T&C export product share in the Sub-Saharan Africa's total exports declined to 4.34 percent in 2005, down to 1.65 percent in 2010 before making a slight recovery to 2.85 percent in 2016.

Figure 3. Apparel and textiles: export product share (PERCENT)



Source: World Bank – WITS

While T&C share in SSA's export basket seems to be declining, the T&C in the SSA's import basket has remained more or less steady at around 4 percent over the last three decades. In 1995, the Sub-Saharan's T&C imports accounted for 4.95 percent share of the import basket. The Sub-Saharan Africa's T&C share in import basket remained more or less steady at around 4.9 percent throughout the 1995 to 2000. It fell afterwards to 4.25 percent in 2005, down to 3.75 percent in 2005 and 3.26 percent in 2010, but rose to 3.81 percent in 2016.

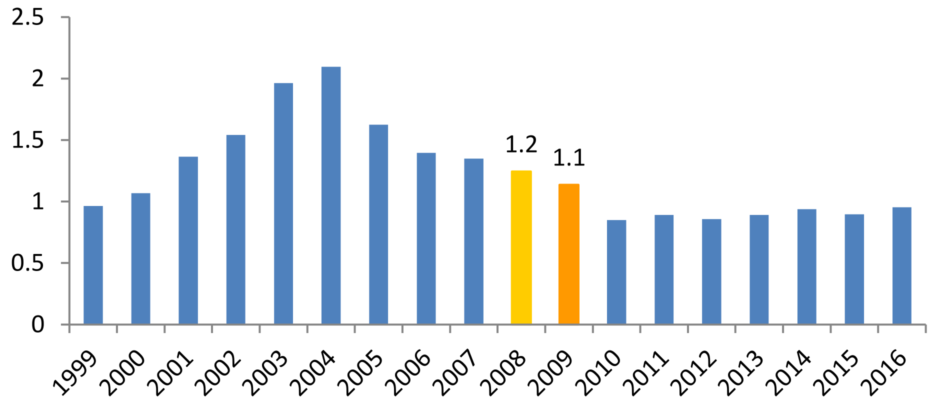
Sub-Saharan Africa's top-8 T&C export destinations are the United States; China; France; United Kingdom; Germany; Hong Kong, China; and South Africa. SSA's major sources of textiles and clothing imports has been Germany, South Korea, United Kingdom, China, India, South Africa, Swaziland and Mauritius.

3 Sub-Saharan Africa's T&C exports to the United States

3.1 Recent trends, 2000–2016

Since the phasing out of the restrictive MFA regimes, the share of the Sub-Saharan Africa in the U.S. T&C imports has been on the decline (Figure 4), while that of the Asian countries especially the East Asia and Pacific, as well as South Asia has been rising (Figure 5). The Sub-Saharan Africa accounted for 0.95 percent of the US' T&C imports basket in 2016, down from 2.1 percent in 2004, while the combined share of East Asia & Pacific and South Asia in U.S.' T&C imports grew from 48.7 percent in 1999 to 73.7 percent in 2016.

Figure 4. Share of Sub-Saharan Africa in U.S. T&C imports (%), 1999–2016



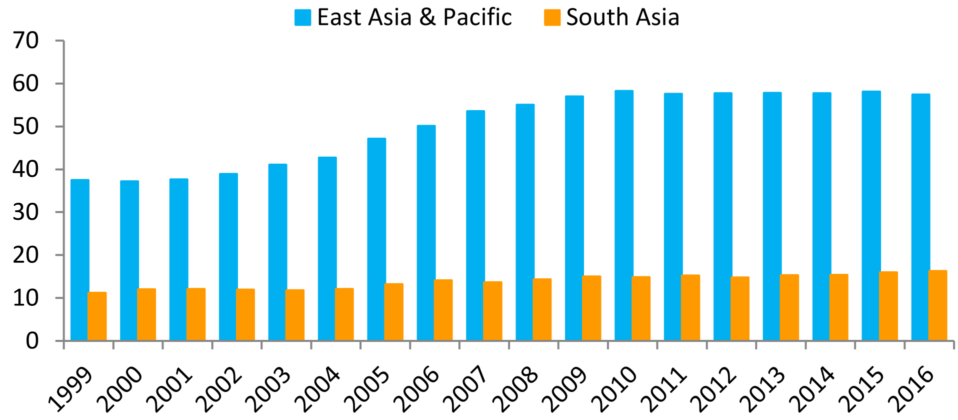
Source: Based on World Bank database (WITS)

In 2005, a year after the scheduled date for complete phase out of MFA restrictions, T&C export of the Sub-Saharan Africa into the U.S. market fell by 0.47 percentage point, while T&C exports of East Asia and the Pacific rose by 4.4 percentage points—i.e. a US$6.9 billion increase.

In 2009, a year after complete phase-out of MFA restriction, the share of T&C export of East Asia & Pacific into the U.S. T&C increased by 1.93 percentage points although in value terms, exports actually fell by US$5.9 billion—reflecting a general decline in U.S.' T&C imports (in immediate aftermath of MTA phase-out). Overall, the U.S.' T&C imports declined by US$13.8 billion (13.7%) in 2009—i.e. the first year of the MFA phase-out.

The slow growth in South Asia's share in the US T&C import basket as discussed in section 3.3 reflects the decline in the dependency of South Asia on T&C exports as it diversifies in other export sectors such as electronics. However, the decline in the Sub-Saharan Africa's market share in the US T&C has no discernable impact on the region's export diversification.

Figure 5. Share of East Asia & Pacific and South Asia in U.S.' T&C imports (%), 1999–2016



Notes: East Asia & Pacific region includes *Cambodia*, *China*, *Fiji*, *Indonesia*, *Kiribati*, *Korea*, the People's Democratic Republic of Lao (*Lao PDR*), *Malaysia*, *Marshall Islands*, FS Micronesia, *Mongolia*, *Palau*, *Papua New Guinea*, the *Philippines*, *Samoa*, *Solomon Islands*, *Thailand*, *Timor-Leste*, *Tonga*, *Vanuatu*, and *Vietnam*.
Source: Based on World Bank database (WITS)

Table 13 summarises recent trends in T&C exports to the U.S. (in value terms) by top-15 Sub-Saharan African (SSA) T&C exporters (Lesotho, Kenya, Mauritius, Madagascar, Swaziland, South Africa, Tanzania, Botswana, Ethiopia, etc.).

Table 13. Top 15 sub-Saharan African exporters of textiles and clothing to US (US$' 000)

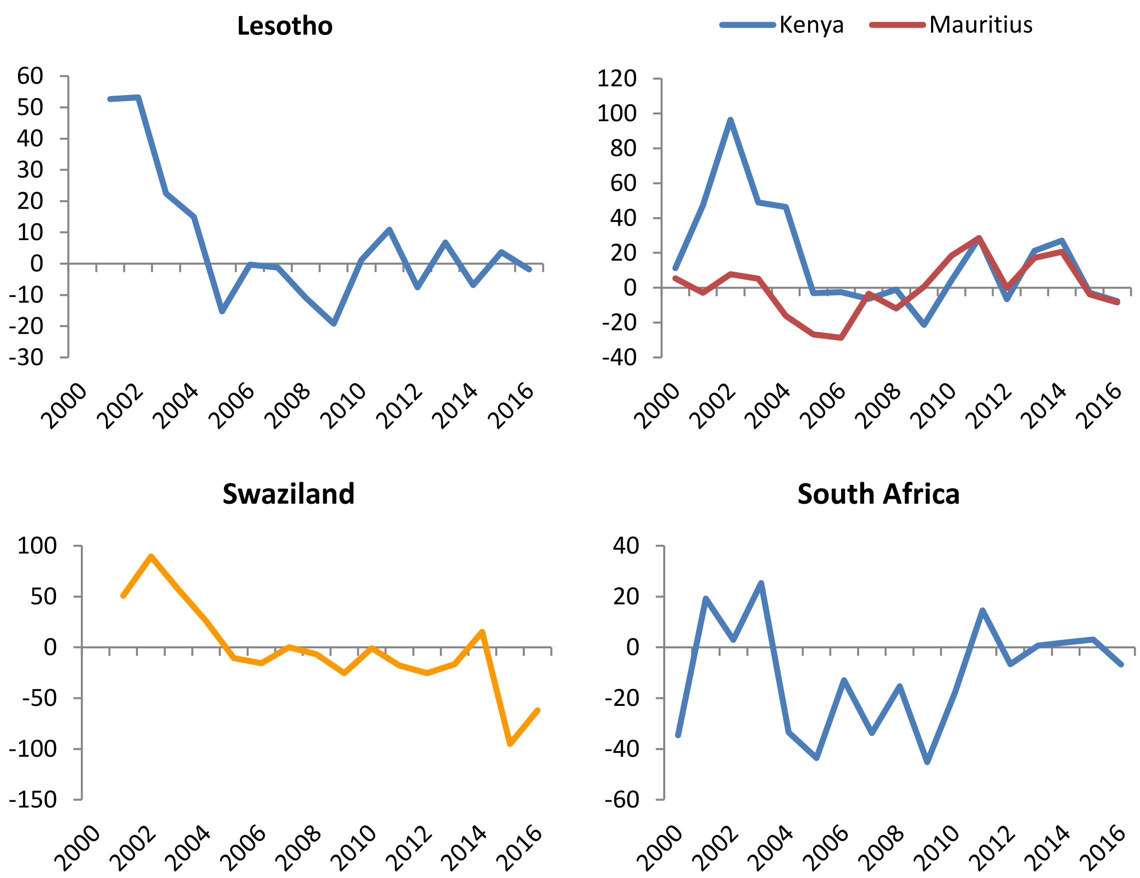
	1995	2000	2005	2010	2015	2016
Lesotho		146365.92	408337.98	293625.99	310412.35	304867.13
Kenya	40557.59	46921.64	286480.04	212267.49	381118.11	352218.08
Mauritius	201844	259609	175787.13	127105.49	221933.63	203340.45
Madagascar	7475.2	115429.39	293757.75	58139.23	54429.66	108345.99
South Africa	164868.09	187000.1	107985.72	23786.08	26942.7	25108.16
Swaziland		33407.42	168769.77	97887.4	2807.2	1067.87
Tanzania	6084.74	253.87	4437.83	2159.59	27999.56	37883.39
Botswana		9028.59	31459.14	12209.52	8685.86	4981.05
Ethiopia(excl. Eritrea)	971.4	30.98	3829.68	7113.17	18799.72	34457.11
Namibia		196.09	56050.93	47.06	230	122.43
Malawi	2509.89	7653.83	24018.24	10728.07	6437.02	1603.53
Zimbabwe	15484.16	21574.02	3086.21	87.37	130.48	99.08
Ghana	3216.37	718.84	5749.01	1071.03	9620.28	6631.52
Cameroon	826.72	2769.28	407.24	749.97	1003.44	342.41
Uganda		5.07	5143.94	461.64	73.47	78.62

World Bank, WITS

SSA T&C exports to the U.S. are marked by significant volatility. Between 2000 and 2005, exports fell for Mauritius, South Africa, Zimbabwe, and Cameroon. In 2005, aftermath of the scheduled phase-out of the MFA restrictions, all the 15 countries, except Tanzania, Botswana, Ethiopia, Cameroon and Uganda suffered a reduction in their T&C exports to the U.S. In 2006, only 2 of the 15 countries (Ethiopia and Ghana), and in 2009 following eventual phase out of the MFA restrictions, only two countries (Mauritius, Cameroon) increased their T&C exports to the U.S. Uganda's T&C exports has been on a downward trajectory since 2005 (except for 2008 and 2009). Lesotho also suffered a decline in its T&C exports to U.S. market for 5 consecutive years (2005–2009) and intermittent growth since 2010. Swaziland's T&C exports to the U.S. declined for eleven years in a row (it is only in 2014 when it realised some marginal growth, which was reversed by loss of AGOA preference).

All the top-15 countries, except Swaziland, are eligible for trade preferences under the U.S. African Growth and Opportunity Act (AGOA) initiative. All these countries have well established textile and apparel industries. South Africa's apparel market has over 1,000 apparel manufacturers. South Africa's local companies, mainly owned by white and Indian immigrants, dominate the textile industry. A number of foreign investors have come from mainland China and Taiwan. Lesotho and Swaziland have apparel-making clusters that consist of predominantly foreign investors. Botswana also has several small apparel industrial areas in Gaborone and Francistown, which host a few investors from China, India, and Mauritius. The decline of their apparel exports (Figure 6) is partly caused by the influx of Asian imports into their domestic markets.

Figure 6. Changes in the volume of T&C exports to the United States, 2000–2016 (percent)



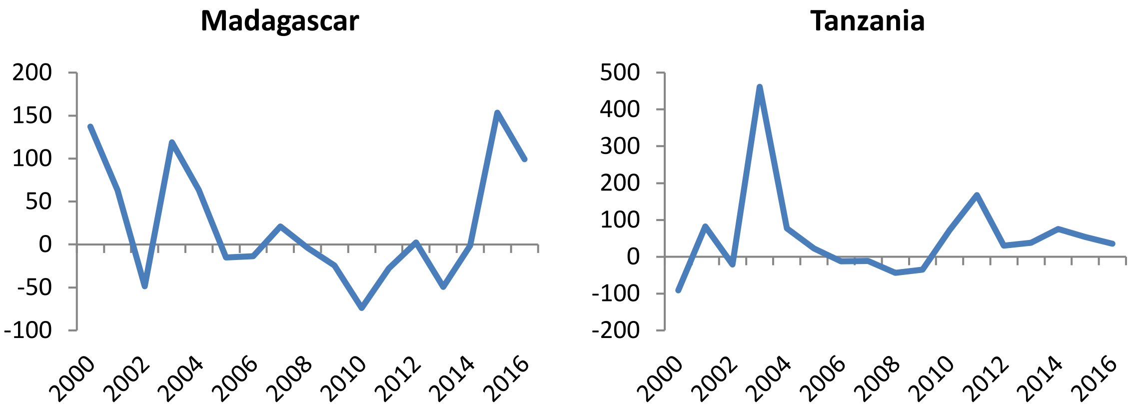


Figure 4. Changes in the volume of T&C exports to the United States (percent)

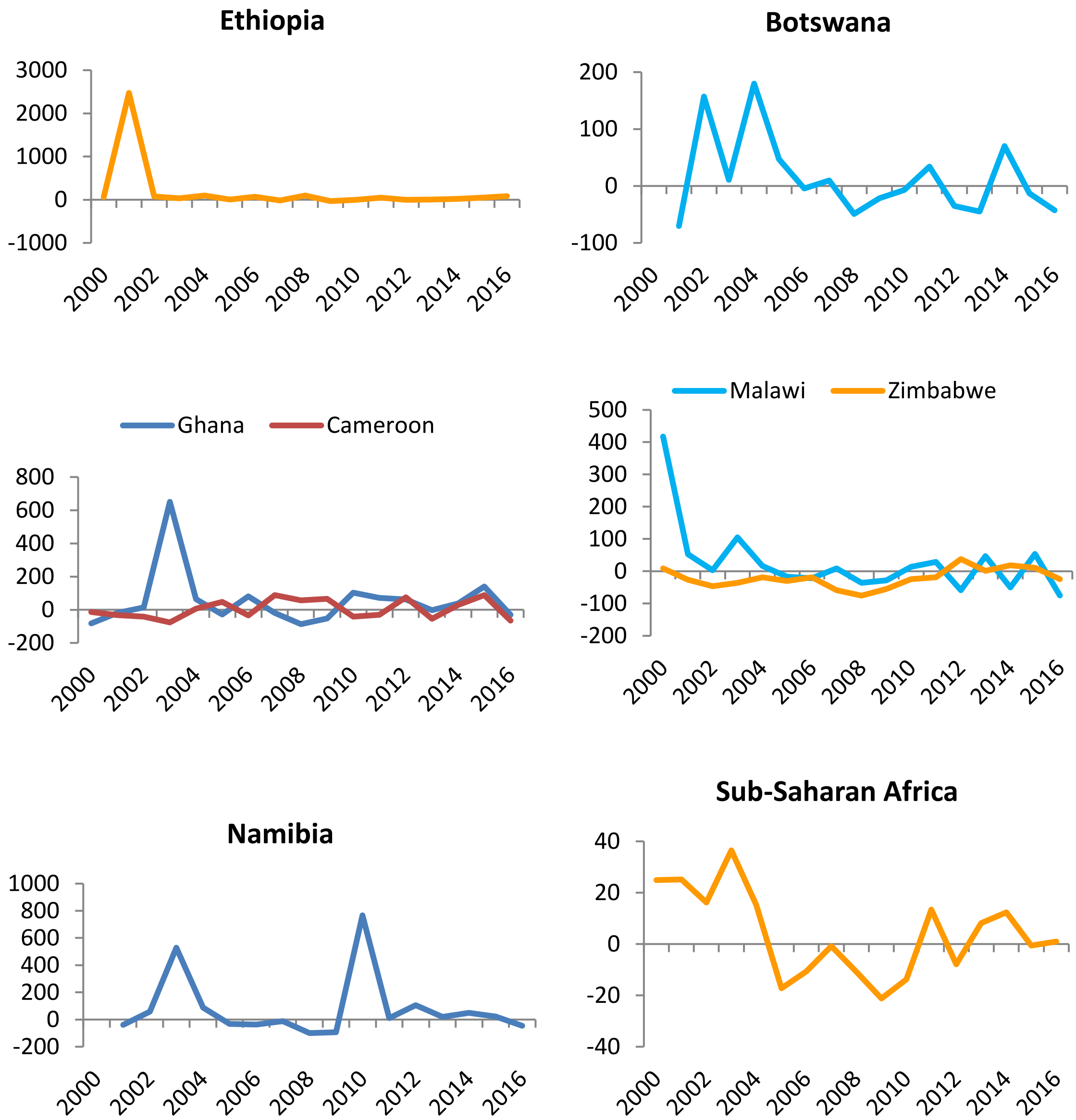


Figure 6. Changes in the volume of T&C exports to the United States (percent)

Swaziland's eligibility was terminated in 2014, due to issues related to worker rights. As a result, Swaziland's apparel exports to the U.S. fell by 97.1 percent in 2015 (Figure 6). The AGOA originally covered October 2000 to September 2008, and has since been extended thrice (was amended in July 2004, expired on 30 September 2015 - AGOA III). Eligible countries qualify for duty-free and quota-free access to the U.S. market for a range of products, including selected agricultural and textile products (except for "wearing apparel"). In June 2015, the Trade Preferences Extension Act of 2015 simultaneously extended the GSP programme until 31 December 2017 and AGOA until 30 September 2025.

To be eligible for AGOA benefits, a number of conditions are laid out, including proven progress in establishing a market-based economy; commitment and action in developing political pluralism and the rule of law; eliminating discriminatory barriers to U.S. trade and investment; adequate protection of intellectual property; combating corruption; and protecting human rights, e.g. those specifically related to labour, particularly the abolition of certain child labour practices.

Table 14. Participation in the Sub-Saharan's T&C export to the United States, 1995 – 2016 (percentage share)

	1995	2000	2005	2010	2015	2016
Lesotho	-	17.53	25.81	34.56	28.94	28.14
Kenya	8.97	5.62	18.11	24.98	35.53	32.51
Mauritius	44.65	31.09	11.11	14.96	20.69	18.77
Madagascar	1.65	13.82	18.57	6.84	5.07	10.00
South Africa	1.65	13.82	18.57	6.84	5.07	10.00
Swaziland	0.00	4.00	10.67	11.52	0.26	0.10
Tanzania	1.35	0.03	0.28	0.25	2.61	3.50
Botswana	0.00	1.08	1.99	1.44	0.81	0.46
Ethiopia(excl. Eritrea)	0.21	0.00	0.24	0.84	1.75	3.18
Namibia	0.00	0.02	3.54	0.01	0.02	0.01
Malawi	0.56	0.92	1.52	1.26	0.60	0.15
Zimbabwe	3.43	2.58	0.20	0.01	0.01	0.01
Ghana	0.71	0.09	0.36	0.13	0.90	0.61
Cameroon	0.18	0.33	0.03	0.09	0.09	0.03
Uganda	0.00	0.00	0.33	0.05	0.01	0.01

Source: World Bank WITS

Table 15. Growth of SSA clothing and textile exports, 2000–2004

	2000–2005	2000–2005	2000–2005	2006
Country	Exports $ ‘000	US share (%)	AGOA as share of exports to US (%)	AGOA as share of exports to US (%)
Kenya	199,000	94.12	93.34	97.50
Lesotho	345333.3	96.43	90.30	99.40
Madagascar	635166.67	32.73	85.34	96.00
Mauritius	1564666.67	16.08	51.86	92.10
South Africa	835333.33	37.92	48.82	53.10
Swaziland	133000.00	94.28	77.40	99.50

Eligibility for the wearing apparel provisions is governed by a separate set of requirements and associated rules of origin. To export apparel (and certain textile items) to the United States under the AGOA, countries must implement a "visa system" (to prevent illegal trans-shipment and use of counterfeit documentation, as well as effective enforcement and verification procedures) to ensure compliance with the required rules of origin. The Africa Investment Incentive Act of 2006, AGOA IV, which amended the textile and apparel provisions of the AGOA, provides duty-free and quota-free treatment for eligible apparel articles made in qualifying Sub-Saharan African countries. "Lesser developed beneficiary"

Sub-Saharan African countries may use non-U.S. fabric and yarn in apparel wholly assembled in their countries and still qualify for duty- and quota-free treatment. AGOA IV continues to grant lesser developed beneficiary country status to Botswana, Lesotho, and Namibia, qualifying them for the Special Rule.

3.3 The Asian factor

3.3.1 Global competition

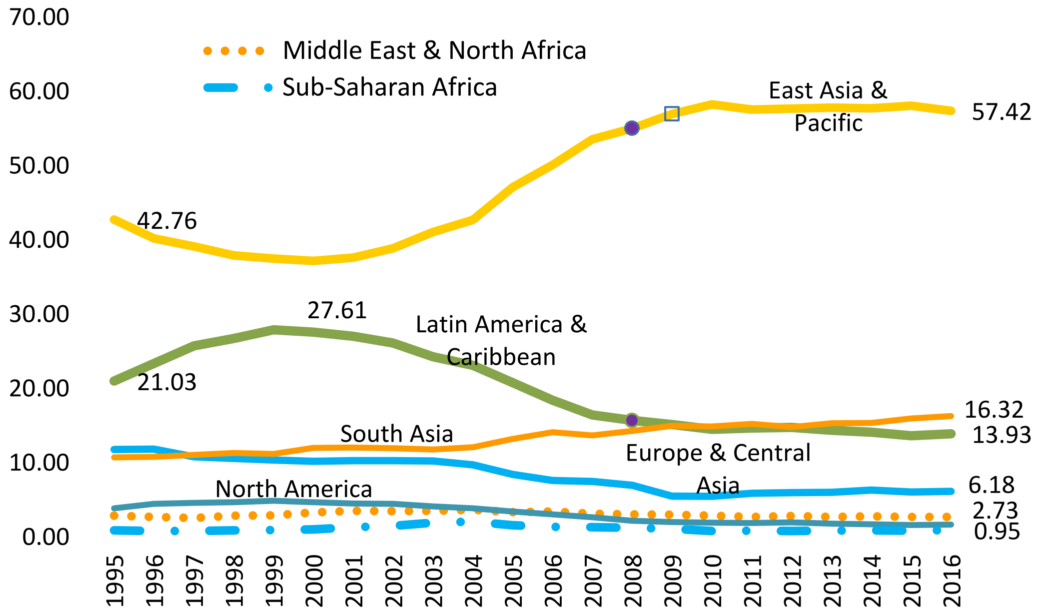
Traditionally, the Asian developing countries especially the Asian Tigers have dominated T&C exports. There were fears that because textile products from Asian countries are no longer limited by the quota system in the export destination markets, their low price allows them to quickly grab a large portion of Africa's export market in the United States and Europe. Consequently, textile and apparel exports from Africa to the U.S. market would fall, and a large number of factories could close down.

However, we find no evidence to support the claim that textile and apparel exports from Africa to the U.S. market fell as result of competition from textiles products from Asian countries. The decline of their apparel sector is caused, not so much by competition with Asian products in the international market, but mostly by the influx of Asian imports into their domestic markets, and this is the worse threat to the existence of the textile industries in Africa.

The East Asia and Pacific countries account for more than half of the U.S T&C imports (Figure 7), and this has been the trend since MFA was in place. Between 1995 and 2016, the East Asia and Pacific countries' share in the U.S' T&C import basket grew by 15 percentage points, from 42.76 percent in 1995 to 57.42 percent in 2016. Between the scheduled dates of elimination of MFA restrictions (December 2004) and actual phase out of MFA restrictions in

2008, East Asia and Pacific's T&C exports to the US rose by 14.3 percentage points, from 42.7 percent in 2004 to 57 percent in 2009.

Figure 7. Share in US textiles and apparel imports (PERCENT)



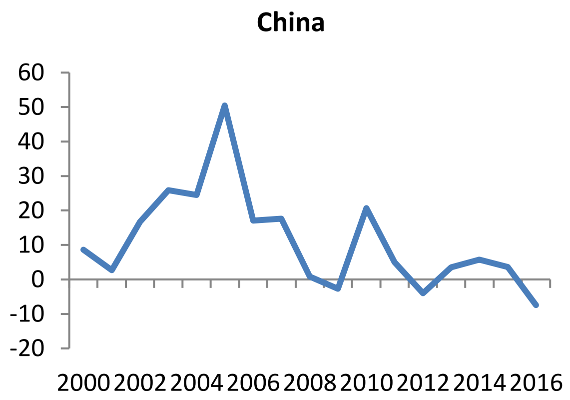
Notes: East Asia & Pacific region includes *Cambodia*, *China*, *Fiji*, *Indonesia*, *Kiribati*, *Korea*, the People's Democratic Republic of Lao (*Lao PDR*), *Malaysia*, *Marshall Islands*, FS Micronesia, *Mongolia*, *Palau*, *Papua New Guinea*, the *Philippines*, *Samoa*, *Solomon Islands*, *Thailand*, *Timor-Leste*, *Tonga*, *Vanuatu*, and *Vietnam*.
Source: World Bank database - WITS

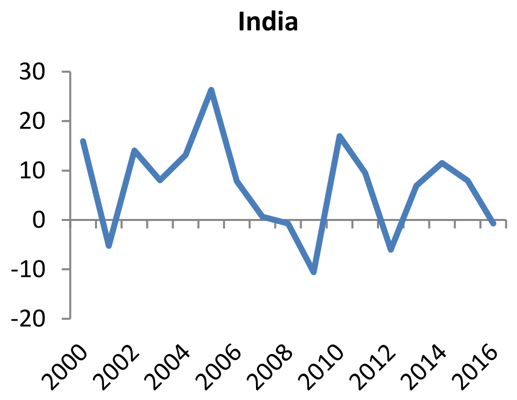
Since the complete elimination of MFA quotas and other restrictions in December 2008, the share of East Asia and Pacific countries in the U.S' T&C import basket has grown at an annual average of less than one-tenth of a percentage point (0.06 ppt.) over the last seven years (2009–2016) compared with average growth of 2.5 percentage points per annum over the seven years period prior to MFA phase out (2002–2008). The region's annual share in the U.S' T&C import has stagnated around 57.6 percent since 2011. Between 2008, the scheduled year of elimination of MFN restriction and 2008, when the restrictions were eventually phased out, South Asia's share in the U.S' T&C import basket grew by 2.2 percentage points, from 12.1 percent in 2004 to 14.3 percent in 208. A year after the MFN phase out (in 2009), South Asia increased its share in the U.S' T&C import basket by 0.7 percentage points and thereafter, at an average of one-fifth of a percentage point per annum (twice the growth in East Asia & Pacific during the same period) compared to 0.32 percentage point growth per annum achieved over the last seven years preceding the MFA phase out.

As this evidence suggests, the removal of MFA restrictions was followed by year-on-year reductions in growth of Asia's T&C exports to the U.S. That largely rules out global competition from Asia as the major cause of the decline of Africa's T&C exports to the U.S. The scenarios for Latin America and the Caribbean, as well as Europe and Central Asia and North America as illustrated in Figure 7, also rules out competition from these regions because their share in U.S. T&C imports declined, following MFA phase out in 2008. Other factor(s) other than global competition explain Africa's T&C exports performance.

In the immediate aftermath of MFA phase out, T&C exports to U.S. decline for all the exporting regions. Sub-Saharan Africa's T&C exports to U.S. declined by 21.2 percent (US$ 0.3 billion) in 2009 as the overall U.S. T&C imports declined by 13.7 percent (US$ 13.76 billion), East Asia & Pacific by 10.7 and South Asia by 9.5 percent. Over the last eight years of liberalized T&C sector (2008 – 2016), the share of Sub-Saharan Africa in the US' T&C imports basket declined from 1.25 percent in 2008 to 0.95 percent in 2016. While the decline in growth of South Asia's share in the US T&C import basket reflects the decline in the dependency of South Asia on T&C exports, the decline in the Sub-Saharan Africa's market share in the US T&C imports has no discernable impact on the region's export diversification.

Between 2003 and 2016, the share of the T&C sector in the South Asia's total export basket declined by 17 percentage points, from 35.1 percent in 2003 to 18.12 percent in 2016. This shows the progress that the East Asia and Pacific economies have made towards diversifying their export sector in compensation for the potential loss in T&C market share anticipated from global competition due to T&C liberalization.





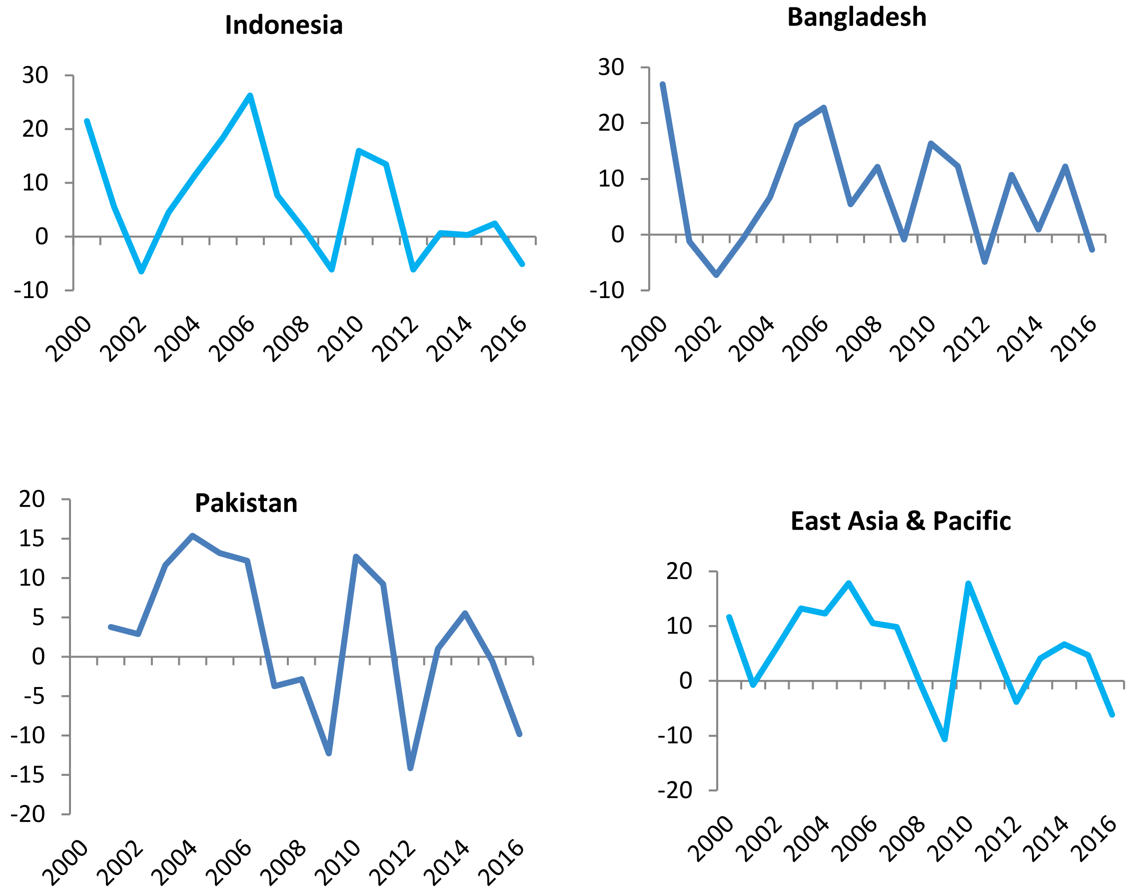
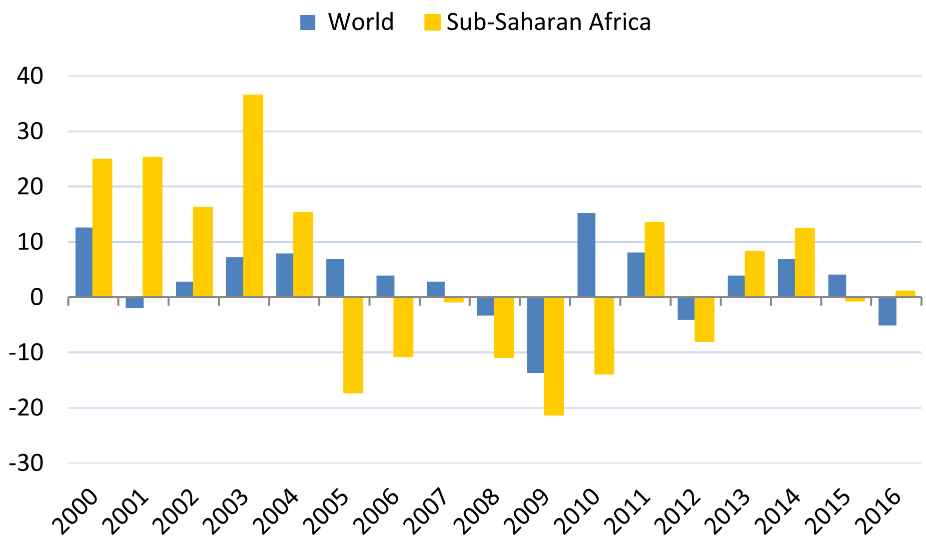


Figure 8. Growth in U.S. T&C imports, 2000–2016

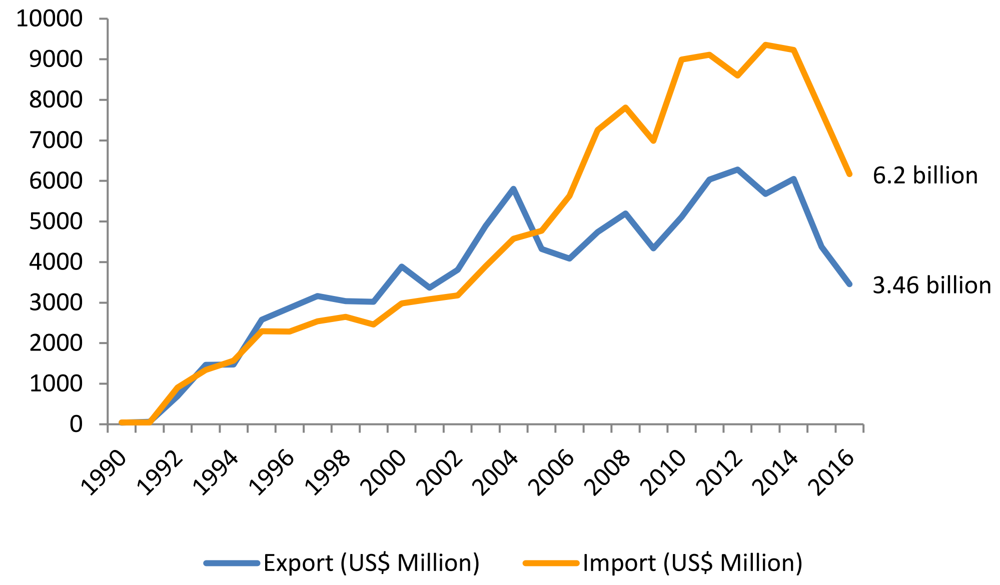


3.3.1 Imports into Africa's markets

This for example, Tang Xiaoyang (2014) quoted Trade unions in South Africa, Zimbabwe, Mozambique, Lesotho, Swaziland, and Zambia as have issued a joint statement in 2005 saying that the textile and apparel industries and their workers faced a huge challenge from the Chinese, and warning that the continent risked "falling into a colonial style relationship with China.

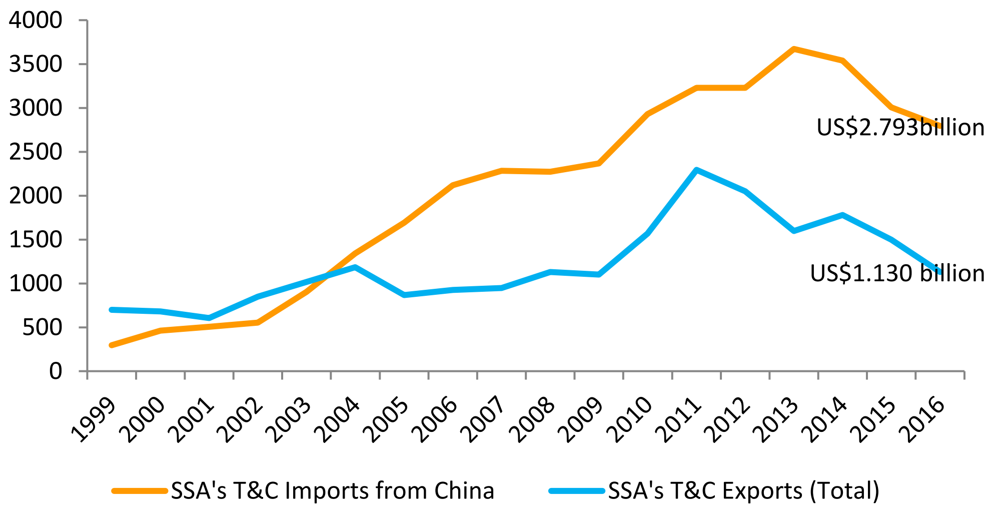
As illustrated in Figure 15, imports of textiles and clothing far exceed Sub-Saharan exports. In 2016 imports almost doubled exports (Figure 9).

Figure 9. Sub-Saharan Africa's T&C exports and imports (million USD), 1990–2016



China poses by far the largest threat to Africa's textile and apparel industries (Figure 10); its textile exports to Africa exceeded $2.3 billion in 2011. That is an increase of 62 percent over its $1.4 billion in exports in 2007. China is not the only Asian exporter of textiles and apparel to Africa, though the next largest, India and Pakistan, are far behind, at $211 million and $150 million, respectively, in 2011.

Figure 10. Sub-Saharan Africa's global exports of T&C and T&C imports from China



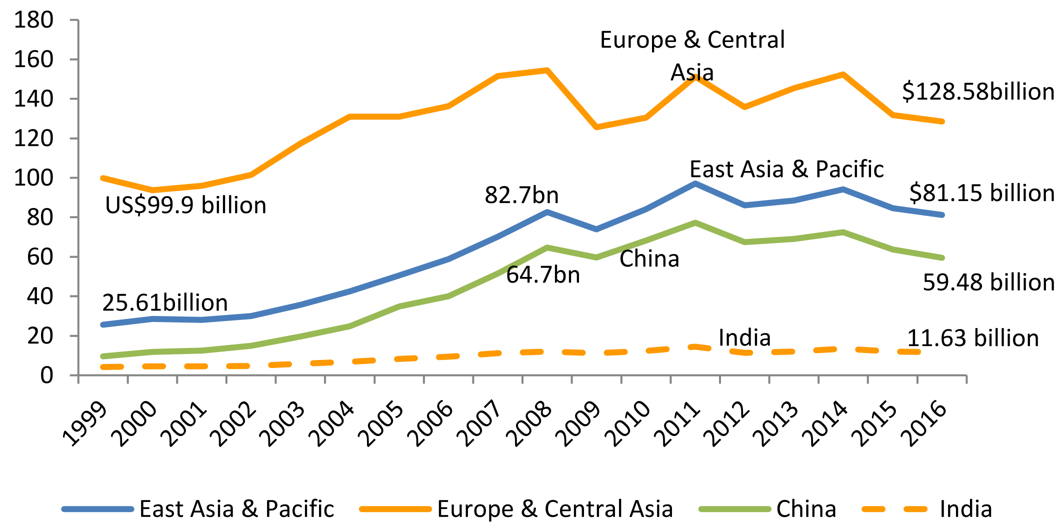
China used to limit the amount of textiles it exported to South Africa in 2006 to protect local manufacturers from being completely overwhelmed by Chinese imports, but this policy stopped in 2009 because of ineffectiveness. During the period that Chinese imports were limited, other Asian investors continued to enter the South African market and grab shares from local manufacturers.

Tang Xiaoyang (2014) found that local apparel factories have managed to survive in some countries because most of them specialize in segments that require fast response and small quantity, such as fast fashion, uniforms, and work wear, which the Asian firms cannot. He noted that even in those countries with little apparel industry remaining, like Zambia, several local companies are still producing clothing for mining companies or uniforms for schools. This provides good lesson for African industries and policy makers. Exports for international markets, especially those under AGOA, have been decreasing in general.

4 Sub-Saharan Africa’s T&C exports to Europe

The ACP–EU preferential trade arrangement, first under the framework of the Lome convention (1974) and its successor, the Cotonou agreement, allow ACP countries to access the EU markets, tariff or quota free—shielding them from global competition and the impact of MFA restrictions. The least developed countries (LDCs) also have preferential access to EU market through the Everything-But-Arms (EBA) initiative. The more advanced developing economies such as India, China, Turkey, the Republic of Korea, Hong Kong (China), Viet Nam, and Mexico suffered a reduction in export opportunity. Figure 11 shows the trend in T&C exports to Europe and Central Asia by major exporting regions and countries.

Figure 11. T&C exports to Europe and Central Asia in billion $US, 1999–2016



Note: Central Asia is made up of five former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.
Source: World Bank database, WITS

The figure shows a rapid increase in T&C exports for the major exporting regions (countries) in the decade preceding the MFA phase out at the end of 2008. However exports fell for all the exporting regions (countries), immediate aftermath of the MFA phase out. Exports from East Asia and Pacific declined from US$82.7 billion in 2008 to US$74 billion in 2009 and from US$ 154.5 billion in 2008 to US$ 125.68 billion in 2009 for Europe and Central Asia. Overall, T&C imports into Europe and Central Asia declined from US$ 286.93 billion in 2008 to 244.72 billion in 2016 (Figure 12).

Figure 12. Trends in Europe and Central Asia's T&C imports in billion U.S. dollars, 1999 – 2016

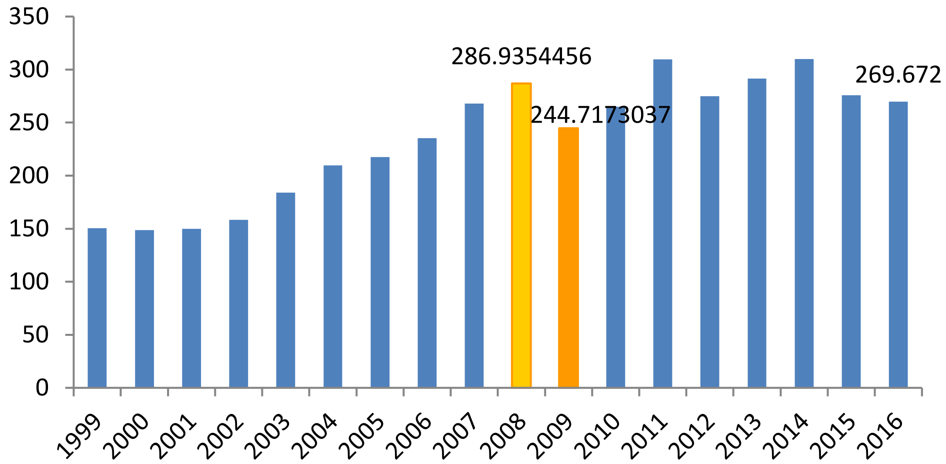
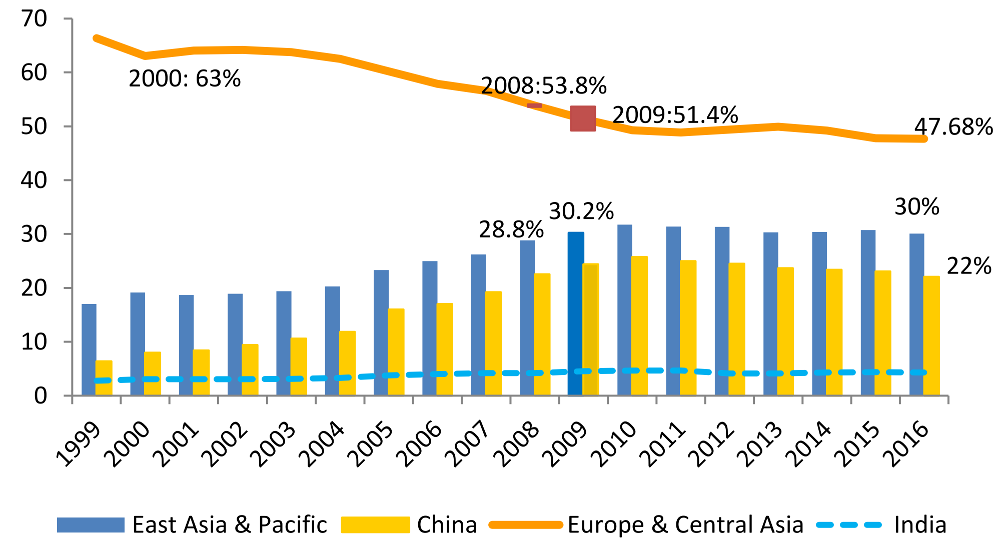


Figure 13 shows the share of major exporters in the T&C import basket of Europe and Central Asia. T&C imports are dominated by exports from within the region (Europe and Central Asia), which has been on a downward trajectory over the last decade. It accounted for 63 percent of the import basket in 2000, down to 53.8 percent in 2008 and 48 percent in 2016.

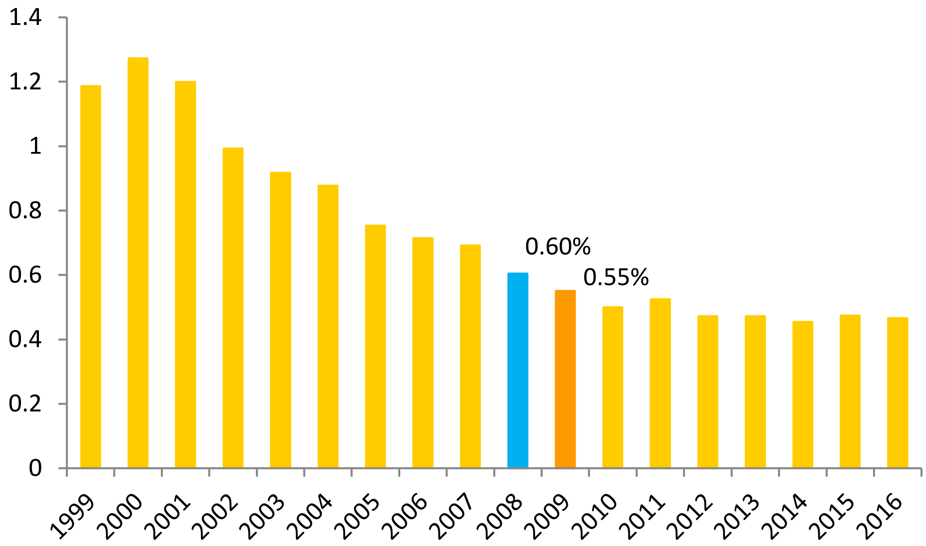
Figure 13. Share of T&C in Europe and Central Asia's import basket



Source: World Bank database, WITS

Chinese share in Europe and Central Asia T&C imports increased by 1.86 percentage points, in immediate aftermath of the MFA phase out, higher than the East Asia & Pacific's as a region (of 1.4 percentage points). In comparison, share of Sub-Saharan Africa declined from 0.6 percent in 2008 to 0.55 percent in 2009 (Figure 14).

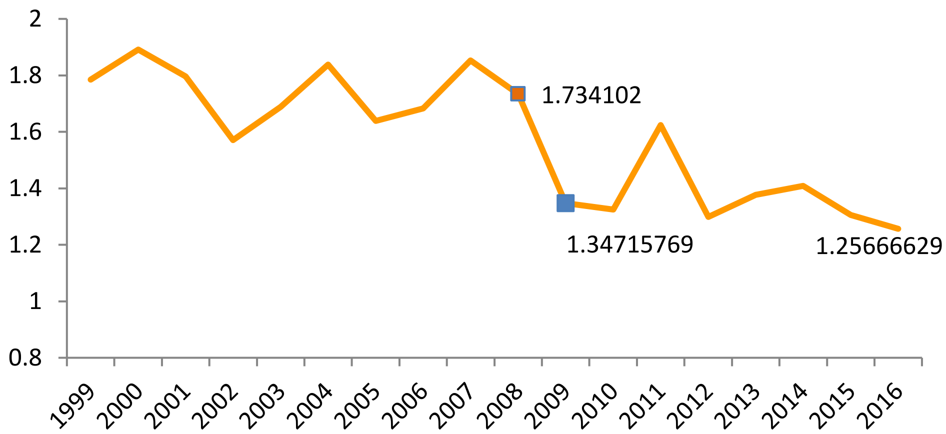
Figure 14. Share of Sub-Saharan T&C exports in Europe and Central Asia's import basket



Source: World Bank database, WITS

As illustrated in Figure 15, Sub-Saharan Africa's T&C exports to Europe and Central Asia has been on a downward trajectory over the last two decades.

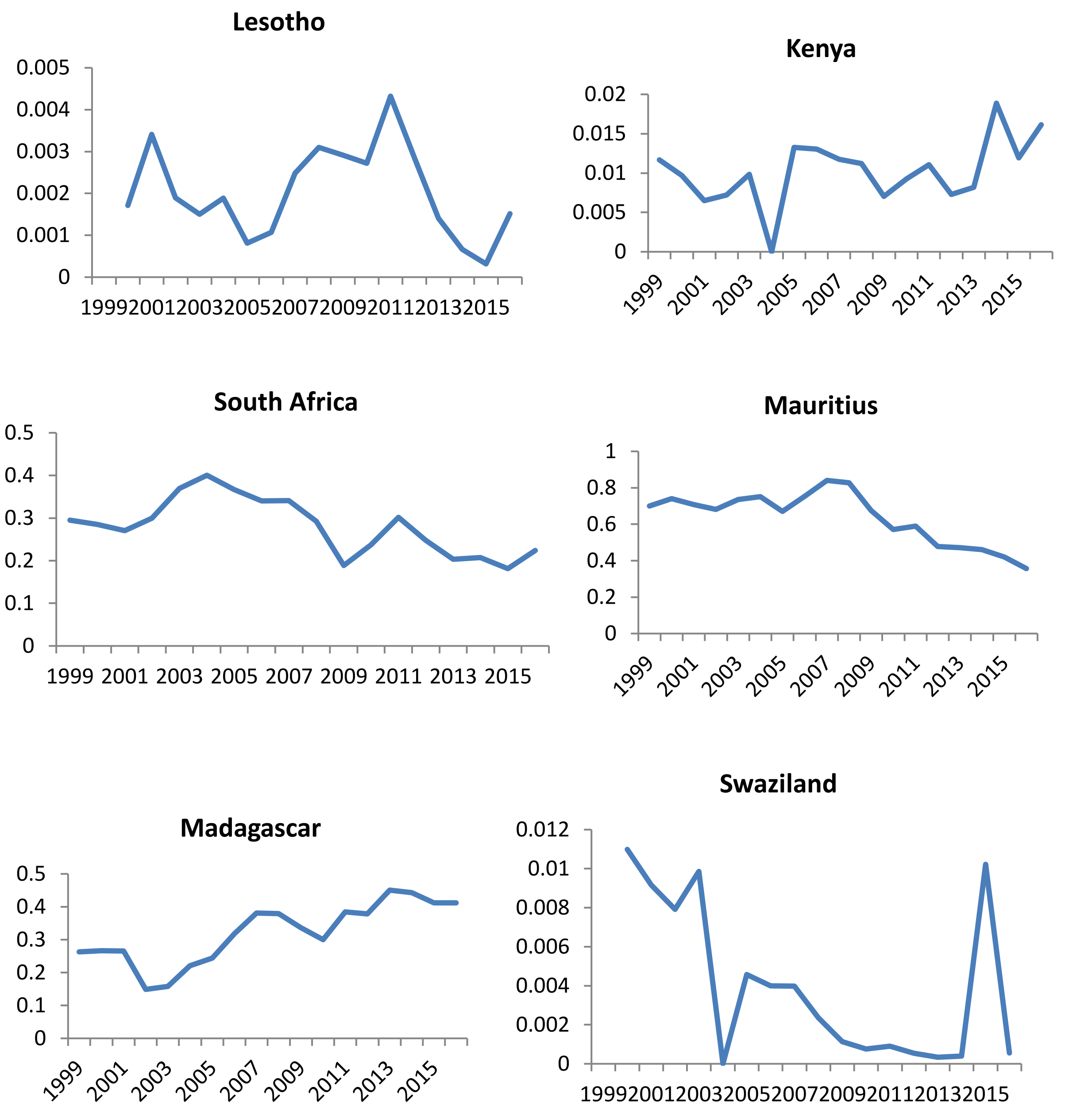
Figure 15. Sub-Saharan African exports to Europe and Central Asia in US$ billion, 1999–2016



Source: World Bank database, WITS

Figure 16 shows that while Sub-Saharan T&C exports to Europe and Central Asia has been declining in aggregate sense, significant heterogeneity exists across countries. Some countries such as Kenya, Lesotho, and Madagascar increased their exports to Europe and Central Asia immediate aftermath of the MFA phase out, and years after. For others, such as Mauritius, Swaziland, and to some extent, South Africa, removal of MFA restrictions was followed by decline in T&C exports to Europe and Central Asia.

Figure 16. T&C exports to Europe and Central Asia of selected Sub-Saharan countries



Source: World Bank database, WITS

5 On Asian T&C investments in Sub-Saharan Africa

In the introduction we asked, if the shares of Asian countries in the world trade in clothing increased as a result of the shift in comparative advantage in labor-intensive (low-wage) producers in African continent, what is the impact on Africa?

5.1 Are we witnessing a shift in T&C production to Africa?

During recent years, scholars have been discussing the trend of labour intensive manufacturing shifting from Asia to Africa as a result of rising costs. Some commentators had predicted that the MFA and rising production costs in China and other Asian countries would shift apparel-making and other labour-intensive manufacturing activities to Africa and thus fuel African industrialization. The question is whether that shift has happened or not and who the beneficiaries of that shift are. And if indeed the shift has happened as a result of the discriminatory nature of the MFA quotas and other restrictions, how has that contributed to development of textile and clothing industry in Africa?

This section delves on some of these questions, pointing out that foreign direct investment increased during MFA period in non- and less restricted developing countries, some of which went to textiles and clothing sector. And while we find no evidence that links this investment to MFA restrictions, most of the investment originated from the Asian countries. Whether or not some of these investments were made mainly to circumvent tariffs and quotas imposed by developed countries—or whether Asian firms have been establishing clothing factories in African countries because of the MFA restrictions is not an issue. What is important is how Asian presence has that contributed to development of textile and clothing industry in Africa.

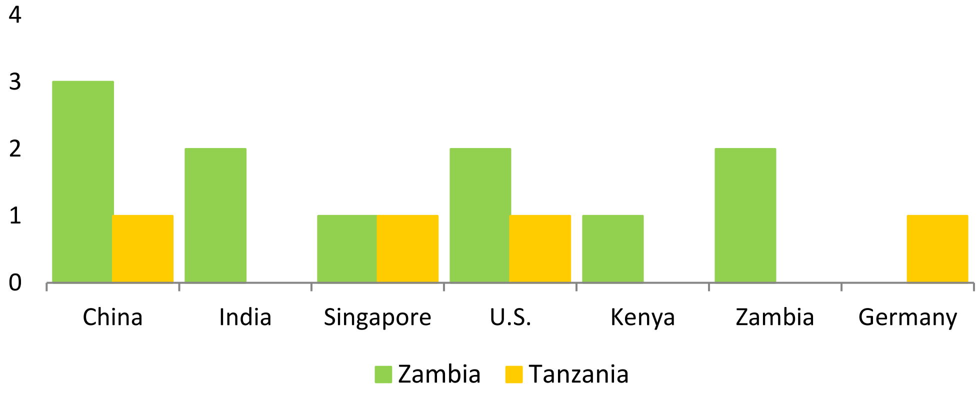
5.2 Asian's footprint in SSA cotton-textile-apparel value chain

Evidence suggests that Asian companies are increasing their footprint in many African countries, in the whole cotton-textile-apparel value chain, in cotton acquisition and production. Over the last two decades, countries such as Tanzania, Zimbabwe, South Africa, Botswana and Zambia have received an increasing number of Asian buyers who have engaged directly in the plantation, purchase, and manufacturing. Most of the textile manufacturers in these countries are in fact of Asian origin. Some of the companies are attracted to invest and produce in these countries by the non-reciprocal trade preferences these countries enjoy under the African Growth and Opportunity Act (AGOA) of the United States and Everything But Arm (EBA) initiative of the European Union. Xiaoyang (2014), in a recent account of Chinese investment in the Eastern and Southern Africa region, described how Chinese-owned Chipata Cotton Company (CCC) that began from the Chipata region of Zambia and expanded to other neighbouring countries: Zimbabwe, Malawi, and Mozambique. This domino effect is wide spread across Africa—involving not only Chinese firms, but Indian firms as well. The Parrogate Group, an Indian company, began in Zimbabwe around 2008 and expanded to Zambia and

Malawi. Seeing their success, more companies have followed, from India—spanning the whole cotton-textile-apparel value chain—cotton ginning to textile manufacturers.

The emerging trend is that there are diverse foreign players in the textiles and apparel sector in Sub-Saharan Africa, including multinationals from industrialised countries. Among U.S. multinationals are Cargill and Dunavant with activities in Zambia. In Tanzania, are Alliance from Kenya and Biosustain from Germany (Figure 17).

Figure 17. Cotton ginning companies in Tanzania and Zambia, and ownership (country), 2015



In Botswana, a number of small apparel manufacturers in Gaborone and Francistown are owned by investors from China, India, and Mauritius. In Tanzania, Zambia, and Zimbabwe, Olam International, a Singapore based global supply chain manager and processor of agricultural products, has over the years, developed an extensive T&C footprint. In South Africa, local companies, mainly owned by white and Indian immigrants, make up the bulk of the textile industry. A number of foreign investors have come from mainland China and Taiwan.

Yet, despite increasing footprint of foreign companies in the whole cotton-textile-apparel value chain, the textile and clothing sector and exports has not expanded in most countries. There are several reasons for this. First, due to high mobility in the T&C sector; a number of the existing apparel factories are run by Asians who came to Africa as expatriate employees in apparel factories and later left the companies to open their own businesses. They are so flexible that they can detect small market opportunities and are nimble enough to respond quickly, but this also means that the scale of their impact is limited and they may move elsewhere when profits dry out or environment changes.

Botswana, South Africa, and Uganda are among the countries that have been known for providing generous investment incentives such as subsidies and tax holidays in the past. This attracted many investors from Hong Kong, Taiwan, and mainland China. When the incentives stopped and the wages increased, many of these investors moved; some went to Southeast Asia, others relocated to Lesotho, Swaziland and other African countries with better facilities, lower wages and better incentives or favourable conditions. A Sri Lankan firm, Tri-Star Apparel, opened shop in Uganda in 2002 and promised to turn around the textile and apparel industry by providing market to cotton farmers, and exporting textiles to the United States, but closed down a few years later after benefiting from colossal amount of money in bail-out from Uganda government. The same company, under Tristar Group, moved to Tanzania in 2007 to set up an export-oriented business, but it closed down several years later.

However, large-scale apparel factories (with over 10,000 workers) are not attracted by temporary subsidies, but instead evaluate the long-term investment environment. This investment model has contributed to stability of the T&C sector in Tanzania. JD Group is an important industry player in Tanzania. In 2011, it opened its first factory in Dar es Salaam, and by end of 2013, the factory had hired over 1,000 local workers. All products are exported to the U.S. market. As an important global player, JD presence could have encouraged more firms that are considering shifting their manufacturing base to Africa. To date, very few enterprises have followed JD Group's lead. This is not unique to Tanzania alone. In Ethiopia, one of the world's largest shoemaking groups, Huajian from Guangdong Province in China, set up a factory in 2011 and announced plans to invest $2 billion over the next ten years to build a "shoe city" (shoe manufacturing zone) in Ethiopia. Yet, not many companies have followed Huajian's lead either to establish large-scale manufacturing bases in Africa.

Apparel-making is considered one of the sectors with strategic importance for structural transformation because it does not require sophisticated technology and can provide large-scale industrial employment. Seen this way, many African governments have been in an endless effort to attract foreign investment in the T&C sector. But the rise and decline of the apparel sector in Africa shows that not all the moves by foreign (Asian) investors can lead to structural transformation. Small scale investment seeking profit from subsidies can create a short-term boom, but such industrialization may go as quickly as it comes.

The second factor responsible for the decline or slow growth of the textiles and apparel sector South of Sahara is the influx of Asian imports into the region's domestic markets (inflicting worse injury than competition with foreign products in the international market). As competition intensified with influx of cheap Asian products and the arrival of new Asian and foreign investors in Africa, inefficient firms have been forced out of the market. As they retreat, the vacuum created is sometimes filled by investors from Greater China (the mainland, Hong Kong, and Taiwan) who step in and form clusters to help them secure orders more easily. Some surviving firms merged or acquire other ginneries to increase economies of scale.

Exports to U.S. or European markets are considered to be more lucrative. However, few apparel factories are interested in those markets because of very stringent requirements on quality, delivery time, and certification, which most manufacturers are not capable of fulfilling; others tried and suffered huge losses. Deficient facilities, unskilled workers, a weak industrial base, a cumbersome export process, and other factors in Africa are daunting hurdles for apparel makers to break into the international market.

6 Conclusions

This paper analyses exports of textiles and clothing (T&C) from Sub-Saharan African countries in the decade leading to and after a phase out of the Agreement on Textile and Clothing (ATC) (Multi-fibre Agreement restrictions on T&C export)—from 1990s to 2016 using WTO and World Bank data sets—to ascertain the initial effects of the end of quotas and other restrictions on global trade in textile and clothing. The end of the MFA was viewed as beneficial to the multilateral trading system, providing new export opportunities to T&C exporting countries that were disadvantaged by MFA quota and other restrictions, but also as a threat to countries that were benefiting from privileged access to the U.S and EU markets.

The consensus view is that because textile products from Asian countries are no longer limited by the quota system in the export destination markets, their low price allows them to quickly grab a large portion of Africa's export market in the United States and Europe. Consequently, textile and apparel exports from Africa to the U.S. and EU markets will fall, and a large number of factories will close down. From our findings, while the end of ATC was followed by a decline in Sub-Saharan Africa's T&C exports to the U.S. and the EU, there is no clear evidence that the termination of the ATC has been a major contributing factor to the decline of Sub-Saharan Africa's T&C exports. A simultaneous and rapid shift of increasing T&C exports by Asian countries (Asia & Pacific) into African markets override their increase into the U.S. and EU markets, in which they (Asian countries) continue to export post-ATC at about the same levels of textile and clothing that they did before ATC phase out.

The end of ATC also saw a gradual shift of increasing T&C exports by African countries into new markets outside the U.S. (although the U.S. still remains Africa's first export market for T&C). As a result, Sub-Saharan Africa's global T&C exports continue to rise despite the end of ATC. The utilisation of safeguard mechanisms by the U.S. and the EU and the continued option to maintain tariffs and other non-tariff barriers make it difficult to trace the effects of the end of ATC, but also raise important issues that could be considered in the WTO negotiations on rules: trade remedies (safeguard and countervailing measures) since the end of ATC did not bring about "free trade" for clothing and textiles.

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