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**Globalisation, China, and Clothing
Industrialisation Strategies in
Sub-Saharan Africa**

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Globalisation, China, and Clothing Industrialisation Strategies in Sub-Saharan Africa

By Mike Morris

1. Introduction

This era of globalisation has witnessed profound changes in the global production, trade, and employment in the clothing and textile sectors. Whereas in the past clothing and textile production was an area where low wage stable employment in developed countries could be sought by streams of immigrants, this is no longer the case. The industrialised countries of North America, Europe and Japan have witnessed the wholesale closing of clothing firms and the increased shedding of employment in the latter decades of the last century. Instead of immigrants from poor countries coming into industrialised countries and occupying clothing jobs, these sectors have themselves emigrated outwards towards the developing world.

Undoubtedly, globalisation is impacting in a fundamental way on conditions in developing countries. However the key questions are whether globalisation is concentrating on the gains derived amongst a few countries and groupings or whether it is spreading these gains? Are developing countries gaining or losing from this process? How can developing countries enter into this process so as to maximise their activities? This paper argues that the issue is not whether to participate in globalisation, but rather how ... and with what resources.

The clothing and textile sector, in line with many other areas of manufacturing, has been characterised by five major trends:

- The global dispersion of industrial activity
- Global participation of lower income countries in clothing and textiles traded goods
- The tendency for unit prices of products to fall
- The dominance of global value chains organising this global dispersion of production and trade
- China's growing presence impacting on both industrialised and developing countries.

This article attempts to flesh out these trends and show how they operate as dynamic factors shaping the clothing industry in Sub-Saharan Africa.

2. Global Value Chains and the Dispersion of Clothing Manufacturing

The global dispersion of clothing and textile manufacturing – i.e. the move towards offshore production – began with Japan in the 1950s and 1960s, followed by the East Asian Tigers (Taiwan, South Korea and Hong Kong) in the 1970s and 1980s, and then South East Asia in the 1990s, with China as the biggest player. Other emerging second level of important suppliers include India, Malaysia, Philippines, Indonesia and Sri Lanka (Gereffi and Memedovic 2003).

In order to deal with increasing clothing exports from these countries to the US and European countries, and to protect their domestic industries, the industrialised countries established a global regulatory system based on quotas allocated to different developing countries. In 1974 the Multi-Fibre Agreement (MFA) was signed ratifying countries' rights to impose quotas on textiles and clothing imports. The MFA allocated export quotas to low cost developing countries, limiting imports in industrialised countries whose domestic industries were facing serious challenge from rapidly increasing imports.

The objective of the MFA was to allow rich countries time to restructure their textiles and clothing industries before opening up to competition from poorer countries. Although 73 countries were subject to quotas by the EU, US or Canada, most countries with quota restraints did not use the full quotas to which they were entitled. In addition, the regional blocs negotiated separate bilateral regulatory agreements with different developing countries having some form of favoured nation status. The MFA regime lasted for 25 years, from 1974 until 1994, when the Uruguay Round of Multilateral Trade Negotiations produced the Agreement on Textiles and Clothing (ATC). This phased out quota restrictions spread over a period of 10 years. As a result, the MFA/ATC global quota trade regime came to an end on 1 January 2005.

The fundamental consequences of these quota based trade policy restrictions were twofold: Firstly, preferential trade access through quotas to Europe and the USA meant that production spread to an ever-increasing number of countries. Secondly, when key manufacturers reached the limits of their production quotas they actively searched for under-utilised quota producer countries, in order to organise garment production in these economies. The result was a major global spread of clothing and textile production to various manufacturing sites throughout the developing world.

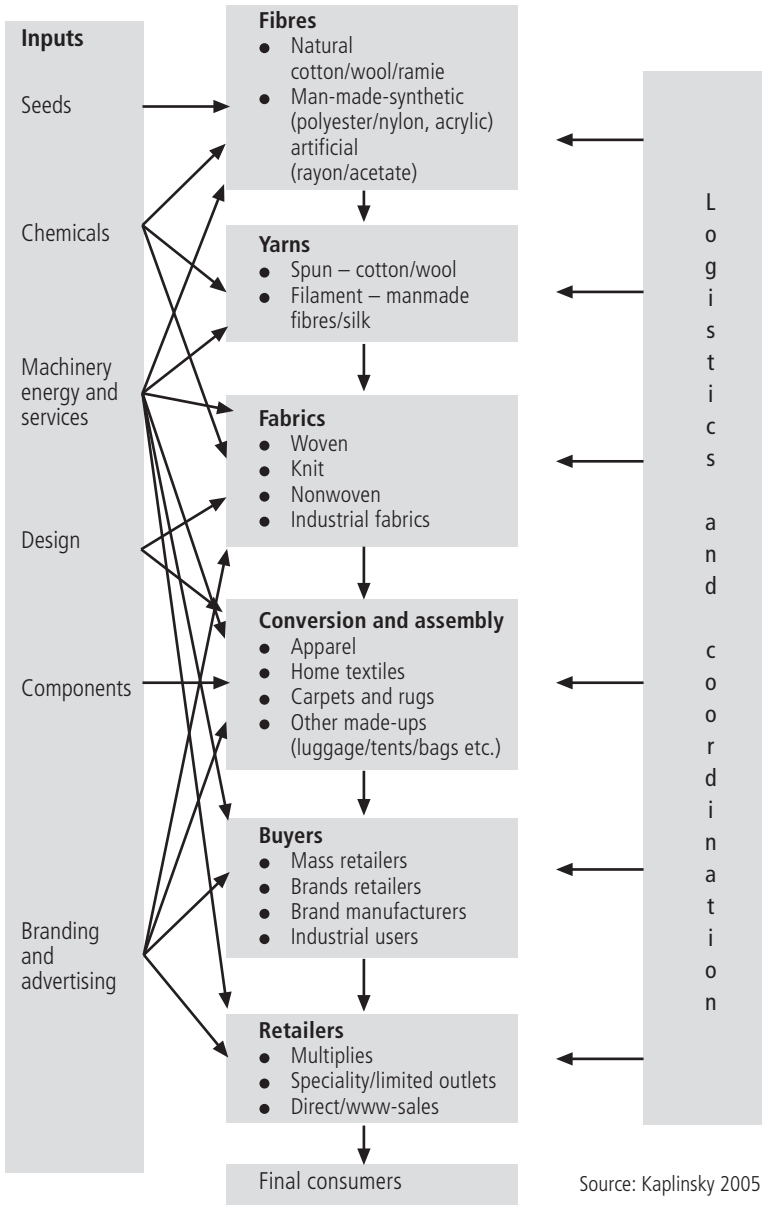
The driving force driving these processes were large retail chains, such as Wal-Mart, and “branded marketers”, such as Nike and Reebok, who began outsourcing production to the low-wage, low-cost East Asian Tigers. These ‘manu-

facturers without factories carried out no production of their own. However, they maintained control over the key processes of design and marketing of products, outsourcing the manufacturing operations to low cost regions. By keeping control over these design and marketing functions, they also maintained close control over the global clothing and textile value chain through setting standards, often sourcing raw materials themselves, distributing them globally and then importing the made-up garments.

As a result of this system, a new phenomenon emerged during the 1990s: third parties organising supply sourcing functions to key garment producers with established access to established markets. Hong Kong garment producers opened factories in Mauritius and elsewhere, and Korean and Taiwanese producers spread their operations to the Caribbean and to Sub-Saharan Africa. In turn, as they matured in their operations and established their own footholds, Mauritian garment producers also began to spread their operations to Madagascar. Finally, following on from this globalisation of production, the Asian producers, especially in Hong Kong and Taiwan, developed the capacity to mobilise and coordinate what is known as full-package manufacture (i.e. all the manufacturing stages) in the global textile and clothing value chain leading to what Gereffi (1999) terms “triangular production networks”. In other words, production in one country (usually less developed) organised and coordinated by firms in another (mostly middle income) country, with products produced sold on to final buyers in yet a third (usually industrialised) economy.

The emergence of these large discount and speciality clothing chains has provided retailers with the ability to increasingly manage global supply networks and determine a number of critical success factors which have to be met if manufacturers are to remain in their supply chains. The retail buyers wield significant power over these manufacturers specifying a number of such requirements such as price, quality, lead times, delivery reliability and raw material inputs that have to be met. Retailers and “branded marketers” have been co-ordinating supply chain networks since the 1980s. Essentially, they have been making decisions about where products are made around the world, at what price and how quickly things need to be moved, while at the same time controlling many aspects of the production process itself, for example, design, fabric sourcing, lead times, quality and price. In short, this process of “governance” of global value chains has meant that they have been able to drive the way that production takes place in developing economies (see Figure 1.)

Figure 1: The Global Clothing and Textile Value Chain



Large retailers, branded manufacturers, marketers, and sourcing agents, therefore, controlled these dispersed global production networks and stipulated supply specifications. The source of their power derived from an ongoing process of economic concentration of retailers – of mergers, acquisitions and the emergence of large discount chains. In 2001, the top 5 US retailers accounted for 76% of sales amongst the top 20 retailers. In 2000, the top 5 UK retailers accounted for 32% of total sales, while the top 10 accounted for 42%. It is predicted that by 2010 the top 10 retailers will account for 25-30% of world textile and apparel trade.

The other source of their power lay in the fact that the largest consumers of garments on a global scale are the USA, the European Union and Japan. Yet within these countries, with the exception of the Mediterranean countries of southern Europe, domestic manufacturing of clothing has virtually disappeared. The Japanese Textile Importers Association estimates that 87% of clothes sold in Japan are imported, whilst the American Apparel & Footwear Association estimates that 89% of US clothes are imported. This dominance of global consumption of clothing is immediately apparent from Table 1.

Table 1: **World Imports of Clothing by Top 10 Countries (US \$ million)**

Country	1980	1985	1990	1995	2000	2001	2002	2003	1990-2003 % change	1990	2003
United States	6,943	16,202	26,977	41,367	67,115	66,391	66,731	71,277	164%	24%	30%
Germany	8,326		20,411	24,550	20,183	19,330	19,647	22,219	9%	18%	9%
Japan	1,537	2,012	8,737	18,758	19,709	19,186	17,602	19,485	123%	8%	8%
UK	2,858	2,694	6,961	8,002	12,995	13,169	14,657	16,551	138%	6%	7%
Hong Kong	695	1,671	6,913	12,654	16,008	16,098	15,640	15,946	131%	6%	7%
France	2,637	2,707	8,381	10,639	11,412	11,769	12,402	14,771	76%	7%	6%
Italy	797	779	2,580	4,703	6,139	6,697	7,576	9,342	262%	2%	4%
Spain	152	121	1,649	2,492	3,847	4,279	4,965	6,559	298%	1%	3%
Belgium					4,828	5,013	5,272	6,249		0%	3%
Netherlands	2,875	2,045	4,768	5,132	5,371	5,220	5,250	5,943	25%	4%	3%
World	42,271	50,822	112,236	162,871	207,093	203,820	211,765	236,035	110%	100%	100%

Source: Barnes and Esselaar 2004

Developed countries dominated the importation of clothing. The US consistently imported the greatest value of clothing products. Between 1990 and 2003, imports of clothing goods into the US grew by 164%, increasing its share of world imports from 24% to 30%. The second largest importer of clothing goods is Germany, followed by Japan, and the UK. In 2003, the US imported \$ 71.3 billion worth of clothing; three times the amount imported by Germany (\$ 22.2 billion); nearly quadruple the value of Japan's clothing imports (\$ 19.5 billion); and more than four times the value imported by the UK (\$ 16.6 billion). In 2003, the \$ 145.5 billion imported by the top five clothing importers represented more than 60% of the world's total clothing imports, whilst the top 10 clothing importers accounted for approximately 80% of the value of world imports. Also included amongst the top 10 clothing importers are France (\$ 14.8 billion), Italy (\$ 9.3 billion), Spain (\$ 6.6 billion), Belgium (\$ 6.2 billion) and the Netherlands (\$ 5.9 billion).

The other side of this huge shift towards importing clothing from outside the industrialised economies of the world is the elimination of jobs in the clothing sector and the shift of employment offshore. Most of the job losses have been concentrated in small to medium sized firms, while larger firms have engaged in their own form of outsourcing to neighbouring countries to survive (Heron, 2002). This rapid decline in clothing employment in the major industrialised economies is revealed in Table 2:

Table 2: **Employment in Clothing, ATC Countries (thousands)**

	1995	1996	1997	1998	1999	2000	2001	2002	1995-2002 % change
Canada	92	80	92	98	97	85	94	80	-13%
United States	814	743	700	639	556	497	427	358	-56%
France	137	128	121	115	106	95	87	81	-41%
Germany	122	133	128	120	114	117	118	105	-14%
Greece	66	65	60	52	50	50	51	45	-32%
Italy	274	243	235	229	209	206	206	198	-27%
Portugal	143	131	124	176	164	156	151	143	0%
Spain	117	114	120	111	126	123	125	116	-1%
United Kingdom	173	165	163	159	133	109	88	78	-55%

Source: Nordas 2004

All countries (except Portugal whose employment remained largely unchanged) experienced employment losses in the clothing industry. The US was the hardest hit with 456,000 clothing jobs lost between 1995 and 2002 – nearly five times more than the UK which lost a total of 95,000 jobs over the same period. US clothing employment totalled 1.4 million in 1970 (Heron, 2002: 755), but by 1995 employment had already declined to 0.8 million, falling by a further 56% to only 358,000 in 2002. In the UK, employment decreased by 55%, from 173,000 in 1995 to 78,000 in 2002. Other countries that experienced substantial job losses in clothing between 1995 and 2002 include Italy (76,000 jobs lost) and France (56,000 jobs lost), while Canada, Germany, Greece and Spain each lost less than 25,000 jobs.

What is left in these economies are very specific forms of clothing production. Off-shore contract manufacturing has marginalised domestic clothing production apparel, with many small & medium firms closing down. The larger firms have responded through a variety of upgrading strategies. Whilst marketing operations have broadened their scope, the major changes have been related to an upgrading of their production capabilities and a re-alignment of their focus. Production of 'basic' styles with few changes have clearly moved offshore. But they have found a niche market for quick response manufacturing, fashion items and speciality garments. It is estimated that the US off-shore production totals between 70-80% of their product range, with 20-30% produced domestically. With respect to domestic production retained in these industrialised economies, the key shift has been a focus on operational changes (just-in-time and quick response), quality improvements, investment in technology, and raising staff expertise to improve their efficiencies. In order to compensate for higher labour costs they have shifted into ensuring a retention of the higher value-added parts of production such as design, marketing, R&D and specialised manufacturing.

3. The Shift towards Clothing Manufacturing in Developing Countries

If clothing production has by and large deserted the industrialised economies (with the exception of the Mediterranean countries of southern Europe), then where has it moved to? In other words, how have developing countries fitted into globalisation?

The labour intensive nature of clothing (and to a far lesser extent textiles) production provides low-wage countries with a comparative advantage. Furthermore, it is generally perceived that the clothing industry is more suited to devel-

oping countries because it offers entry-level jobs for semi-skilled labour and relatively modern technology can be adopted at a comparatively low investment cost. Therefore, clothing is suited as a first rung on the industrialisation ladder in poor countries, and many developing countries have used clothing (and textiles) exports as a way of accelerating growth (Roberts and Thoburn, 2002).

Textiles and clothing manufacture has been a means for economic development for many Asian economies. South Korea and Japan, for example, became developed in a 30-year period largely due to the initial establishment of textiles and clothing industries. East Asian apparel manufacture initially depended solely on the assembling imported inputs in export processing zones with low labour costs. However, they then moved from mere assembly to higher value-added exporting through export incentives, and then to original equipment manufacture and finally own brandname manufacturing. Gereffi (2002) has cogently argued that developing countries that have been most successful are those who have made this transition.

As the East Asian countries of Hong Kong, Taiwan and South Korea began to develop, wages and various other factor costs increased. As a result firms relocated labour-intensive activities to South East and South Asian countries, as well as Latin America and to some extent Africa. But, like a similar process in the industrialised countries, they retained the more profitable design and marketing segments of production in order to sustain a competitive edge. The advantages these countries gained from having a clothing industry were, therefore, not entirely lost, although the benefits shifted in both form and content. This process of the growing global participation of developing countries in clothing production is evident in Table 3.

In 1990, China had only 9 per cent of the world market but by 2003, its share had increased to 23 per cent. Of the top ten clothing exporters in 2003 China was by far the largest exporter, increasing its exports from US \$ 9.7 billion in 1990 to US \$ 52.0 billion in 2003 (i.e. an increase of 438 per cent). Furthermore, when one includes Hong Kong, China effectively accounted for one third of world clothing exports in 2003. Other developing countries that have increased their share of world exports are Turkey, Mexico, and India – Turkey from 3% in 1990 (US 3.3 billion) to 4% in 2003 (US \$ 9.9 billion), Mexico from 1% in 1990 (US \$ 0.6 billion) to 3% in 2003 (US \$ 7.3 billion), India's from 2% in 1990 (US \$ 2.5 billion) to 3% in 2003 (US \$ 6.5 billion).

In line with the global trend towards outsourcing of production towards the developing world, the employment figures for the global dispersion of manufacturing employment in clothing demonstrate a similar shift. The data (Table 4) is, however, much more unreliable and the dramatic shift towards employment in

Table 3: World Exports of Clothing by Top 10 Countries (US\$ million)

Country	Exports								1990-2003	% World total	
	1980	1985	1990	1995	2000	2001	2002	2003	% change	1990	2003
China	1,625	2,450	9,669	24,049	36,071	36,650	41,302	52,061	438%	9%	23%
Hong Kong	4,976	6,718	15,406	21,297	24,214	23,446	22,343	23,152	50%	14%	10%
Italy	4,584	5,320	11,839	14,424	13,384	14,220	14,643	16,191	37%	11%	7%
Turkey	131	1,208	3,331	6,119	6,533	6,661	8,057	9,937	198%	3%	4%
Germany	2,882		7,882	7,530	7,320	7,444	8,338	9,749	24%	7%	4%
Mexico	2		587	2,731	8,631	8,012	7,751	7,343	1151%	1%	3%
France	2,294	1,935	4,671	5,659	5,414	5,469	5,882	6,935	48%	4%	3%
India	673	930	2,530	4,110	6,179	5,484	6,037	6,459	155%	2%	3%
United States	1,263	785	2,565	6,651	8,629	7,012	6,032	5,537	116%	2%	2%
Belgium					3,941	4,206	4,649	5,353		0%	2%
World	40,590		108,129	158,353	197,498	194,490	202,310	225,940	109%	100%	100%

Barnes and Esselaar 2004

these developing countries in line with export trade figures is much more disguised. For example, the employment figures for China are simply not believable, especially if one considers that the loss of employment in Taiwan is more than likely a simple shift of assembly and other low wage production to mainland China over the period. Unfortunately, these employment figures as well as the rate of their increase (especially for China and India) are clearly understated. The most useful thing to derive from the table is to take account of the overall picture rather than focus in on the detail of the data and any particular set of numbers for a country.

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- 1 **Assembly** – garment sewing plants are provided with imported inputs to assemble. **OEM** – buyers provide designs to suppliers making garments to specifications which are marketed under the buyer's brand name. **OEM** – garment manufacturers use their production expertise to design and then market their own brand products.

Table 4: **Employment in Textiles and Clothing, Selected Developing Countries** (thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	1995-2002 % change
Czech Republic	50	52	49	50	47	41	37	36	-28%
Poland	240	260	254	259	225	211	194	–	-19%
Romania	189	203	181	246	240	261	290	302	60%
Turkey	–	–	–	–	–	487	468	501	3%
Morocco	102	106	117	122	127	135	–	–	32%
Tunisia	94	103	103	103	103	110	–	–	17%
Mexico	476	486	525	740	723	760	681	–	43%
China	1750	1680	2439	2117	2027	2156	2027	–	16%
Hong Kong	80	64	53	44	40	36	30	23	-17%
India	264	267	283	279	296	331	–	–	25%
Indonesia	–	–	–	349	436	485	462	–	32%
Philippines	143	154	154	–	–	–	–	–	0%
Taiwan	114	107	103	101	96	93	8	80	-30%

Source: Nordas 2004

4. The End of the MFA and the Impact of China

There is no doubt that China is the greatest beneficiary of the end of the MFA quota regime. Few countries are able to compete against it on price as is evident from the fact that its exports of clothing have already increased to approximately a quarter of the world total since it joined the WTO in 2001 (de Janquieres 2004). In the first half of 2004 China sold \$ 42 billion worth of clothing and textiles. China has the ability to produce a growing range of items, and has improved its capacity to overcome barriers of international quality standards. The availability of cheap, high-quality fabric, both domestically and in neighbouring Asian countries, is also a strong advantage. The facts of the matter are that Asian prices are declining, while exports are growing (Kaplinsky 2005).

The US International Trade Commission 2004 overview of emerging global competitiveness trends in the global clothing industry concluded that China has a major competitive advantage derived from a combination of low wages and high productivity, and the production of high-quality and low-cost inputs. According

to the Commission, China is regarded “among the best in making most garments and made-up textile articles at any quality or price level” (pg XIII). Hence, it is “expected to become the ‘supplier of choice’ for most U.S. importers (the large apparel companies and retailers) because of its ability to make almost any type of textile and apparel product at any quality level at a competitive price” (pg XI).

Although no systematic data is available on the immediate impact of the quota-free world of 2005, the following does provide an indication of the trends that are emerging. At the end of January 2005, the Chinese government released trade figures indicating that Chinese imports into the United States had jumped about 75 percent. The value of textiles and clothing imports from China rose from \$ 702 million in January 2004 to more than \$ 1.2 billion. In terms of product volume, imports of major clothing products from China jumped 546 percent. As an example, in January 2004 China exported 941,000 cotton knit shirts under quota, whereas in January 2005, it shipped 18.2 million, a 1,836 percent increase. Similarly, imports of cotton knit trousers were up 1,332 percent year on year. Given that China ships a large part of its goods through Hong Kong, which would not be reflected in these figures, the real impact may well be understated. (New York Times, March 10, 2005). Cotton knit shirts and trousers exports to the US were up 2,120 per cent and 1,398 per cent, with nearly 47 million cotton trousers shipped, up from 9 million in January-February 2004. Chinese customs data shows similar massive jumps of exports to the European Union in the first two months of 2005 with clothing product exports up 82 per cent to more than \$ 1.8 billion, whilst textile exports jumped over 56 percent to nearly \$ 843 million. (just-style.com 01 April 2005). China’s April 2005 export data shows that the volume of clothing exports to the EU and US in April had grown faster (148 per cent) than in the first three months of the year (120 per cent) – and were accelerating to the EU marginally faster than to the US (Flanagan 2005a).

The impact of Chinese clothing exports on the EU of a quota-free 2005 is clear from Table 5. Two very important trends are that volumes have jumped and prices have dropped.

Kaplinsky (2005) points out that the current process of globalisation has a divisive impact on the developing world, with potentially severe implications for late clothing industrialisers such as Sub-Saharan Africa. The previous period of export-growth by the Newly Industrialising Countries (NICs) was primarily at the cost of domestic producers in the industrialised economies being squeezed out of their domestic markets. The NICs could all simultaneously increase their exports to the US and Europe and, hence, it was a positive-sum game for them. However, the growth of clothing exports from one or a few developing countries will likely

Table 5: EU Clothing Imports from China

	1 st Quarter 2005/ 1 st Quarter 2004		China Market Share in EU-25 Imports	
	Volumes %	Price %	1 Q 2004 %	1 Q 2005 %
T-Shirts	164	-26	7	17
Pullovers	534	-47	6	38
Men's Trousers	413	-16	6	35
Blouses	186	-24	6	22
Women's Coats	184	-18	6	10
Bras	139	-15	30	49
Socks & pantyhose	63	-22	30	54
Linen & ramie yarns	51	1	27	45
Linen Fabrics	257	1	10	45

Source: Nathan and Associates 2005

be at the cost of other clothing producers in the developing world. In short, we are witnessing a zero-sum game.

This zero-sum game is evident from an analysis (Flanagan 2005b) showing which developing country clothing exporters have gained and which have lost in a post MFA regulated world. Available data on clothing imports to the US, EU and Japan during the first six months of 2005 relative to the same period in 2004, show a wide disparity in gains and losses amongst developing country producers. Korea's clothing exports dropped by -30 per cent, Taiwan by -29 per cent, Macao by -40 per cent, Nepal by -46 per cent, Russia by -69 per cent, Ukraine by -33 per cent, Israel by -21 per cent, and Jamaica by -42 per cent. On the other hand, other developing countries have benefited from this new post MFA regime. Apart from China, clothing exports to the Triad economies have grown for Indonesia, Cambodia, and others. Sri Lanka clothing grew by +12.3 per cent, Peru by +16 per cent, India by +34 per cent, Jordan by +27 per cent, Serbia by +32 per cent, Haiti by +46 per cent. In addition, a few countries managed to maintain stability through very small increases or minor losses in market share.

5. AGOA and Sub-Saharan Africa

The most fundamental and far-reaching impact on clothing production in Sub-Saharan Africa has been the extension of preferential trade access to the region by the US through the African Growth and Opportunity Act (AGOA). AGOA grants duty-free benefits to selected product lines covering October 2000 to September 2008. There are currently 37 Sub-Saharan African (SSA) countries that are eligible for duty-free exports to the US under AGOA. AGOA's clothing rules of origin stipulate that garments have to be made from US fabric, yarn and thread, or from fabric, yarn and thread that is produced in AGOA-beneficiary SSA countries. However, a special rule applies to LDCs (defined as countries that had a GNP per capital of less than \$ 1,500 in 1998) allowing them duty-free access for apparel made from fabric originating anywhere in the world. On 13 July 2004, the AGOA Acceleration Act of 2004 (AGOA III) extended AGOA benefits until 2015, and extends the third country fabric provision (originally set to expire in September 2004) until September 2007. This extension has introduced an added measure of predictability and credibility to AGOA, providing business with greater confidence to invest in Africa. These changes may also somewhat mitigate the effects of the end of the MFA providing producers in Africa with a better chance of competing with low-cost Asian producers.

It is important to note the distinction between exporting synthetic and cotton textiles and garment products to the US market through AGOA. This is captured in Table 6, which shows the US customs duty rates and China-US quota costs. Currently, exports to the US have been protected by two factors – the percentage duty rate (tariff) and the US dollar cost of buying import quota. With the end of the MFA the latter will disappear and will no longer be an add-on cost to exports from countries such as China. Then the only defence countries with preferential agreements have is the tariff added on to the price by the US government. As is clear from Table 6, in the case of synthetics (e.g. sweaters at 32% or men's suits at 27.3%) this still maintains a substantial rate of protection against cheap exporting competitors.

What has been the effect of AGOA on SSA clothing production? Globally, countries in Sub-Saharan Africa in 2001 accounted for less than 1% of global exports of clothing and textiles. SSA increased its clothing output share from 0.6% to 0.8% during the 1990s (Economist Intelligence Unit 2004). Exports from the region are mainly low-price basic items such as trousers, T-shirts and sweaters that typically have long production runs, low labour content and few styling changes (US International Trade Commission 2004; Economic Intelligence Unit 2004). A disadvantage for SSA is that it is not a particularly low-cost location.

Table 6: US Customs Duty Rates

Item		Tariff rate
	Cotton garments	
Knit men's shirts		19.7%
Knit T-shirts		16.5%
Woven men's trousers		10.3%
Woven women's dresses		8.4%
	Synthetic knit/woven garments	
Knit women's skirts		16.0%
Knit sweaters		32.0%
Woven men's suits		27.3%
Woven women's dresses		16.0%
Sources: General US duty rates: Harmonized tariff schedule ²		

Labour costs are relatively high, productivity is low, lead times are long and non-labour input costs are higher than in Asia. Further disadvantages include logistics (notably transport costs and longer lead times), unreliable telecommunication systems and inadequate physical and technical infrastructure.

However, while in comparative terms the five largest SSA suppliers' exports were miniscule compared to the US's imports from China, the impact of AGOA in rapidly fostering on clothing production in a number of individual African countries has been massive. As is apparent from Table 7, between 1999 and 2004 the clothing industry in SSA has expanded significantly, rapidly kick starting an industrialisation process that is unprecedented in the continent.

The production and export of clothing is concentrated in Kenya, Lesotho, Mauritius, Madagascar, Swaziland and South Africa, which account for about 90% of African clothing exports. Lesotho is the largest SSA exporter to the US, US \$ 455.9 million in 2004, followed by Madagascar. As a direct result of AGOA Madagascar's clothing exports to the US exploded in 2004, jumping from US \$ 195.9 million to US \$ 323.3 million. Due to the impact of AGOA, both Kenya and Swaziland have doubled their clothing exports to the US in the past couple of years, with these now becoming substantial exporters of clothing from SSA. These countries (plus

² My thanks to Peter Gibbon for providing this information.

Table 7: **Clothing Exports from Africa to the US and EU (US \$ m)**

	Kenya		Lesotho		Madagascar		Mauritius		South Africa		Swaziland	
	US	EU	US	EU	US	EU	US	EU	US	EU	US	EU
1990	2.5	2.5	24.5	5.6	0.4	10.8	121.2	522.7	0.0	32.3	3.4	
1991	4.5	6.3	27.0	18.2	0.1	15.1	97.7	536.5	0.7	72.7	5.2	
1992	7.8	17.4	50.8	18.3	0.2	18.5	113.1	533.9	2.4	73.2	7.1	
1993	22.1	10.3	55.1	14.7	1.5	46.3	161.2	501	12.7	75.5	9.7	
1994	35.2	7.1	62.4	13.5	2.8	92.6	186.2	518.8	34.7	73.4	15.5	
1995	34.0	6.3	61.7	12.6	6.7	122.0	190.3	573.3	55.7	66.9	11.7	
1996	27.1	3.3	64.9	12.7	11.0	147.7	164.7	616	60.4	67.1	11.4	0.0
1997	31.3	2.6	86.5	4.5	15.3	177.1	184.4	658	70.9	62.3	15.1	0.3
1998	33.5	2.3	100.2	0.8	22.0	218.0	233.3	693.2	78.7	69.4	16.3	0.5
1999	39.3	2.5	110.7	0.2	45.7	213.9	231.6	625.2	96.9	68.3	23.2	0.6
2000	43.9	1.7	140.1	1.6	109.5	234.6	244.7	638.5	140.9	78.6	31.9	1.1
2001	64.4	1.7	216.7	3.2	178.2	233.3	238.3	591.2	173.4	69.0	48.1	0.8
2002	125.9	1.1	321.0	2.1	89.4	145.6	254.4	642.3	180.6	68.7	89.1	0.2
2003	187.8	1.4	392.4	1.2	195.9	127.9	269.0	616.2	231.8	78.0	140.5	0.2
2004	277.2	na	455.9	na	323.3	Na	226.4	na	141.3	na	178.6	na

Source: US ITC, US Department of Commerce, Otxea Eurostat

Note: US \$ exchange rates based on rates for 31 December in the relevant year

South Africa which now trails substantially behind) collectively make up the vast bulk of exports from SSA to the US. In respect of SSA exports to the European Union, in 2003 Mauritius was by far the largest African exporter of clothing to the EU (US \$ 642 million), followed by Madagascar (US \$ 146 million).

The extent to which this rapid expansion of clothing production is related to AGOA can be seen from Table 8. This expresses the relationship between total exports and of clothing and those under AGOA qualifying rules from these countries.

The vast bulk of SSA clothing exports to the US have been via AGOA's preferences, which has been the principal mechanism stimulating and maintaining the increase in clothing production in these countries. The eligible SSA countries locking into the US clothing value chain have exported well over 90% of their clothing to the US under AGOA. The impact that this clothing-based industrialisation process has had on creating wage employment and reducing poverty in these poor SSA countries is thus significant.

Table 8: AGOA Qualifying as Share of Total Clothing Exports to US, 2001-2004 (US \$ m)

Country	2001	%	2002	%	2003	%	2004	%
Lesotho	129.2	60.1	317.7	98.9	372.6	94.9	447.6	98.2
Madagascar	92.1	51.8	75.4	84.4	186.3	94.9	314.5	97.3
Kenya	51.7	80.0	121.3	96.6	176.2	93.9	271.5	97.9
Mauritius	38.9	16.3	106.5	41.8	135.0	50.2	147.8	65.3
Swaziland	8.2	17.1	73.7	82.7	126.9	90.2	175.6	98.3
South Africa	30.4	17.4	8.5	46.9	126.6	54.5	114.7	81.2

Source: US Department of Commerce, Otexa

The importance of AGOA to SSA in the post MFA world is clearly demonstrated by Mauritius and South Africa, which up until 2003 only exported a maximum of only 50% and 55% respectively through AGOA. However in 2004 in the post MFA transition period, the proportion of AGOA clothing qualifying exports from South Africa as a percentage of total clothing exports jumped dramatically to 81%, while Mauritius jumped to 65%. In both cases, but more significantly in the South African case, this proportional increase was a direct result of the decline of total clothing exports to the US. Principally, this was because of the near total collapse of its non-AGOA clothing exports. Mauritius still managed to maintain a small upward trend in its AGOA related exports, but in the South African case, AGOA related clothing exports declined as well. Quite clearly both countries were severely hit by the end of the MFA and the rise of China. In South Africa's case this was exacerbated by the rapid strengthening of the Rand, which made it difficult to compete even under the tariff protection of AGOA. Hence, the conclusion that South African clothing exporters are only currently viable as a result of their preferential access to the US clothing value chain through AGOA qualification.

6. Conclusion

Globally, the MFA quota regime had a major impact on the sourcing decisions of buyers in developed countries. With the elimination of quotas, and the ability of developing country regions (China, South East Asia, India and Turkey) to provide low cost production, other factors will grow in importance in global value chain sourcing.

Clearly, as we have seen in the case of AGO and SSA, the existence of various preferential trade access agreements to protect poorer countries against Chinese and other Asian competitors is critical. Providing special and differential treatment

is essential for 'competitively disadvantaged' poor SSA countries to enter global value chains, to industrialise, to expand employment and to reduce poverty. These are, however, only necessary conditions for the survival of SSA's clothing producers.

In a world characterised by rapid technical change and changing patterns of production and trade, it is also necessary for SSA countries to upgrade production capabilities and competitiveness on an ongoing basis. They will also have to meet the growing demands for ever increasingly stringent critical success factors around price, quality, reliability, flexibility, speed of response etc. The ability to meet these critical success factors will be the key to the future success of such clothing firms (US International Trade Commission, 2004). If their enterprises are unable to internalise manufacturing excellence to meet the required critical success factors, they will eventually drop out of the global clothing value chains.

With more than half of all imports of clothing, and more than 20% of world textiles imports accounted for by the US and EU these markets are clearly the largest for clothing and textiles exports; yet US and EU agents have very different expectations of their suppliers. Although EU customers require much larger orders and more rigorous quality controls than developing country firms are exposed to in their domestic markets, US customers require even larger quantities and demand even more stringent quality controls than their EU counterparts. Furthermore, EU customers' expectations regarding non-production functions undertaken by suppliers are broader than US customers. US modes of doing business are much more exacting and extensive (Gibbon, 2003; Weathers, 2004).

A further key issue will be the ability of SSA countries to develop and integrate the cotton products value chain in order to reap systemic competitive benefits. For after 2007 the triple transformation will also apply to the other SSA producers when the special dispensation for low-income countries ends. At present, the bulk of the cotton produced in Sub-Saharan Africa is exported out of the region in an unbenevolent form. Zambia and Malawi are cases in point, with their sizable cotton production almost completely exported. These exports are then converted into fabrics and imported back into Sub-Saharan Africa as raw materials for clothing manufacturers that are supplying into the United States under AGOA. With an already well established textile industry, South Africa is, therefore, in an ideal position to establish itself as the textiles supply base for Africa, and in the process using regional cotton inputs. But this will require the establishment of a strategic partnership between the South African government, other African governments, the South African cotton-textiles industry and major clothing producing industries in Africa, including Mauritius, Madagascar, Kenya, Lesotho, Malawi, and Swaziland.

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