Protection and Progress in the Clothing and Textiles Sector in Africa

The Clothing and Textiles (C&T) sector in Africa is one that has come under scrutiny due to its potential for the development of intra-African value chains under the AfCFTA and its higher-than-average representation of both female employees and female owners[1]. However, the sector, despite its potential, has a long history of protectionism and to this day, the sector remains highly protected (as in considerably higher than average tariffs) in many African countries.

There are also important dynamics to consider. The global textile supply chain in 2023 was marked by challenges like reduced international trade due to a focus on domestic manufacturing and economic crises in key production countries like Bangladesh, Turkey, and Sri Lanka[2]. The industry grappled with volatile raw material prices while pursuing sustainability through eco-friendly sourcing. Technological integration, such as blockchain and AI, reshoring strategies, and sustainable practices reshaped operations. The industry is expected to adopt technologies such as smart factory technologies – data analytics, machine learning and AI – as well in the coming months and years.

In a fast-changing and innovating environment, the question that needs to be asked is whether African countries will be able to progress their C&T industries as well as liberalise them under the AfCFTA? Many African nations have historically imposed high tariffs on textile imports to protect their domestic industries[3]. For instance, South Africa, which maintains a relatively developed textile industry, enforces tariffs of up to 45% on certain textile imports[4]. Other nations, like Nigeria, have periodically banned imports of certain textiles altogether to foster domestic production. This has also happened more recently in East Africa as well (Wolff 2021)[5]. However, these high protectionist measures often result in unintended consequences, such as smuggling and the proliferation of counterfeit goods. Furthermore, they sometimes hinder the development of a competitive domestic industry due to a lack of exposure to global competition and innovation.

In contrast, regional trade agreements, such as the African Continental Free Trade Area (AfCFTA), seek to reduce these barriers across the continent and create a more

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open and integrated market. The AfCFTA, which became operational in 2021, aims to gradually phase out tariffs among its member states over the coming years. By reducing tariffs on textiles and clothing, it is anticipated that the trade bloc will encourage regional value chains and intra-African trade, allowing countries to specialize in specific production stages and gain competitive advantages through economies of scale.

However, the overall impact of tariff reductions on Africa's clothing and textile industry is uncertain, given the heterogeneity (variability) among African countries. For instance, countries like Ethiopia, which have attracted significant foreign direct investment in their growing textile sector, are likely to benefit from expanded trade[6]. On the other hand, less-developed nations may initially struggle to compete, as reduced tariffs could expose domestic producers to greater competition from more established regional players.

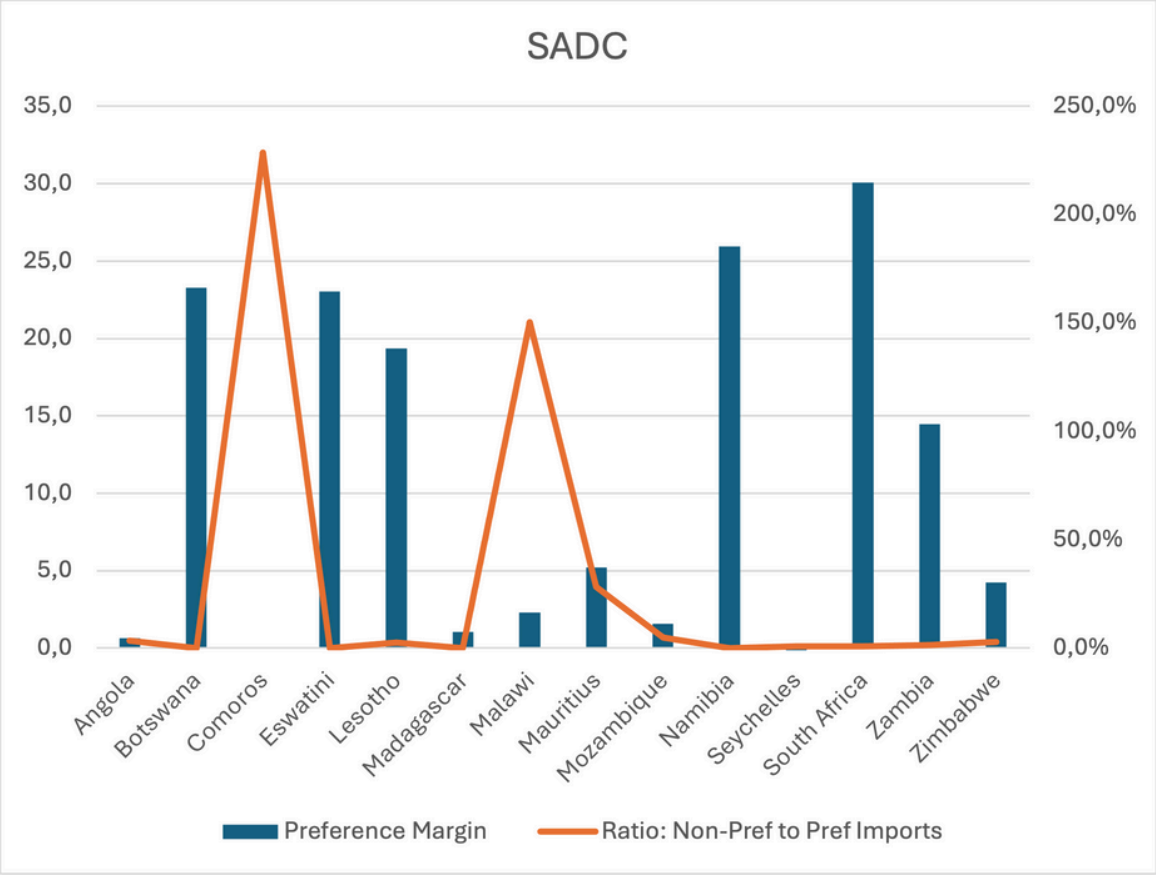
To understand this 'heterogeneity' among Africa's C&T importers better, some data is presented in two figures below (Figure 1 and Figure 2). These figures present data[7], respectively, for SADC and ECOWAS. It should be noted that 13 of SADC's 16 members participate in the SADC FTA, while the 15 members of ECOWAS participate in the ECOWAS Trade Liberalisation Scheme (ETLS) of this customs union. Therefore, while trade within each of these is liberalised, not all trade is yet duty free.

The charts plot the average preference margins for C&T imports from REC partners in the bars (LHS axis), and the line part of the chart (RHS axis) plots the proportion of total imports from these partners that are *not* at preferences.

A basic relationship we would expect to see in these charts is that as the preference margin increases, the ratio of non-preferential imports would decrease. This pattern is exactly what we see in almost all of the importers in SADC (Figure 1). However, the pattern breaks down in the ECOWAS chart (Figure 2). Importers such as Cape Verde and Sierra Leone offer very low preference margins and yet most of their trade is from preferential sources. On the other hand, Mali offers a large preference margin yet 70% of its trade is from non-preferential sources.

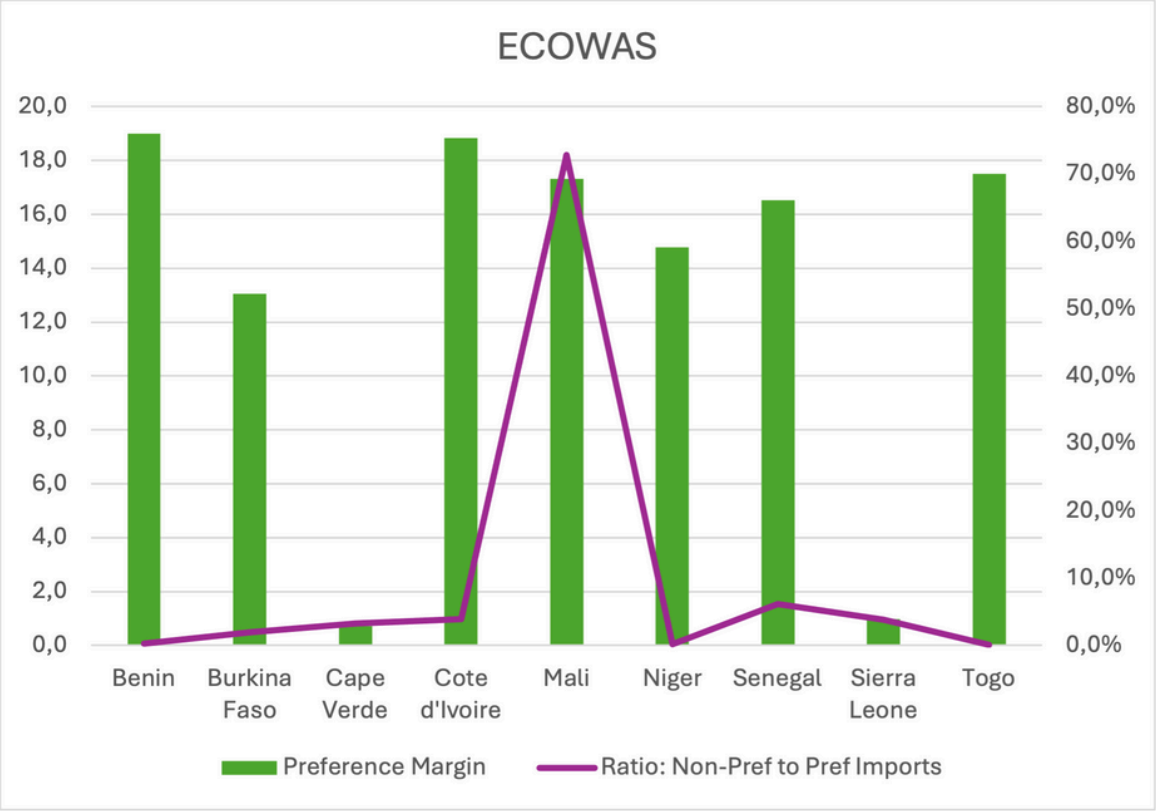
What this data confirms is that not all African PTA members have fully implemented free trade (as was noted above), even in free trade areas that have existed for several decades. Secondly, it suggests that intra-FTA preference margins are sometimes not enough to ensure meaningful preferential trade. In fact, while ECOWAS considers itself a customs union (with the implementation of a CET starting in 2015), rules of origin (RoO) are still required at time of writing, indicating it is a customs union 'in progress'.

Figure 1: SADC: Importer preference margin vs ratio of non-preferential imports



Source: Author's construction using data sourced from World Bank Integrated Trade Solution (WITS)

Figure 2: ECOWAS: Importer preference margin vs ratio of non-preferential imports



Source: Author's construction using data sourced from World Bank Integrated Trade Solution (WITS)

A lesson for the AfCFTA is that traditionally highly protected sectors may remain so for some time, the C&T sector being one of them. Even if the sector is able to become substantially liberalised under the AfCFTA, preferential trade may in some cases not dominate, or may continue to share import quantums with non-preferential trade. A final point to make relates to technological progress – the C&T sector is a well-contested sector globally, and hence sees significant innovation and technology adoption. For Africa to continuing to strongly protect this sector vis a vis the rest of the world, presents a risk to its long-term sustainability.

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[1] See Stuart, J. 2024. *Gender and value chain-driven industrialisation under the AfCFTA: synthesis report*. Stellenbosch: tralac (forthcoming)

[2] Indian Retailer, 2024. *Navigating the threads: A reflection on the textile supply chain in 2023 & emerging trends for 2024* https://www.indianretailer.com/article/retail-business/retail-trends/navigating-threads-reflection-textile-supply-chain-2023

[3] Brooks, A. and Simon, D., 2012. Unravelling the relationships between used-clothing imports and the decline of African clothing industries. *Development and Change, 43*(6), pp.1265-1290.

[4] Jenkin, N. and Hattingh, E., 2022. *Designing climate-Compatible industrial strategies for South Africa: the textiles value chain*. Trade and Industrial Policy Strategies

[5] Wolff, E.A., 2021. The global politics of African industrial policy: the case of the used clothing ban in Kenya, Uganda and Rwanda. *Review of International Political Economy, 28*(5), pp.1308-1331.

[6] Intracen, 2019. Ethiopia is well positioned to become the textile and apparel manufacturing hub of Africa. https://intracen.org/news-and-events/news/ethiopia-is-well-positioned-to-become-the-textile-and-apparel-manufacturing

[7] The data is from the year 2015, which is the most recent year with the greatest data availability

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