

Promoting the textiles and clothing value chain: Role of the AfCFTA

Taku Fundira



TRADE REPORT

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ABSTRACT

The African Continental Free Trade Area (AfCFTA) is giving the continent new energy to boost intra-Africa trade with the regional economic communities (RECs) free trade areas (FTAs) as building blocks. Promoting regional value chains (RVCs) within these RECs can contribute to the achievement of the goals of the AfCFTA. This is because participation in RVCs creates an opportunity to enhance competitiveness but also support upgrading by accessing global technologies and knowledge. Firms will be exposed to new technologies and know-how that might otherwise be unavailable, as well as to new sources of capital.

The textiles and clothing (T&C) industry is important for many African countries and has the potential to contribute to Africa's industrial transformation and employment creation. The industry is mostly composed of micro, small and medium enterprises (MSMEs), which can rapidly generate decent jobs – both skilled and unskilled – especially for youth and women.

The T&C industry holds potential for value added benefits and job creation. The African Development Bank (AfDB) estimates up to 600% in value addition can be created along the cotton value chain (VC); from cotton production, spinning and twisting into yarn, to weaving and knitting into fabric, followed by dyeing, printing and designing. Furthermore, additional jobs and wealth can be created across the fashion industry value chain, from production to marketing.

Against this background, this Trade Report focusses on the T&C value chain and analyses cross border trade flows to identify Africa's global players and the level of intra-Africa trade.

About the Author

TAKU FUNDIRA is a tralac Associate. He has more than 10 years' experience particularly in international trade; economic development; research and policy advocacy, in East and Southern Africa. Key areas of interest include trade statistics; econometric modelling; trade and agricultural policy as well as market access issues. He is currently focusing on regional and global socio-economic policy and development issues aimed at addressing poverty and inequality in Southern Africa and how trade can work for the poor and marginalized. He holds a Masters' Degree in Agricultural Economics from Stellenbosch University.

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Promoting the textiles and clothing value chain: Role of the AfCFTA

By Taku Fundira

Introduction

The African Continental Free Trade Area (AfCFTA) is giving the continent new energy to boost intra-Africa trade with the regional economic communities (RECs) free trade areas (FTAs) as building blocks. Promoting regional value chains (RVCs) within these RECs can contribute to the achievement of the goals of the AfCFTA. This is because participation in RVCs creates an opportunity to enhance competitiveness but also support upgrading by accessing global technologies and knowledge. Firms will be exposed to new technologies and know-how that might otherwise be unavailable, as well as to new sources of capital (World Bank, 2016).

The textiles and clothing (T&C) industry is important for many African countries and has the potential to contribute to Africa's industrial transformation and employment creation. The industry is mostly composed of micro, small and medium enterprises (MSMEs), which can rapidly generate decent jobs – both skilled and unskilled – especially for youth and women.

The T&C industry holds potential for value added benefits and job creation. The African Development Bank (AfDB) estimates up to 600% in value addition can be created along the cotton value chain (VC); from cotton production, spinning and twisting into yarn, to weaving and knitting into fabric, followed by dyeing, printing and designing. Furthermore, additional jobs and wealth can be created across the fashion industry value chain, from production to marketing (AfDB, 2018).

Against this background, this Trade Report focusses on the T&C value chain and analyses cross border trade flows to identify Africa's global players and the level of intra-Africa trade. The trade data analysis is split into the different stages of the T&C value chain which comprises:

- i) raw materials
- ii) component (intermediate) products

iii) final products.

The report then maps the regional African T&C players across the VC by highlighting at each stage of the VC, countries with a revealed comparative advantage (RCA). Market access issues are discussed as well as the role of AfCFTA in promoting the T&C industry in Africa. Concluding remarks and recommendations then follow.

The analysis: data issues

For the purposes of this analysis, the International Trade Centre (ITC) TradeMap database which uses the Harmonised System (HS) of classification of trade to record cross border trade flows is used to analyse trade flows. The review period is from 2017 to 2020. By combining the HS classification and using the Standard International Trade Classification (SITC), trade data can be grouped in terms of:

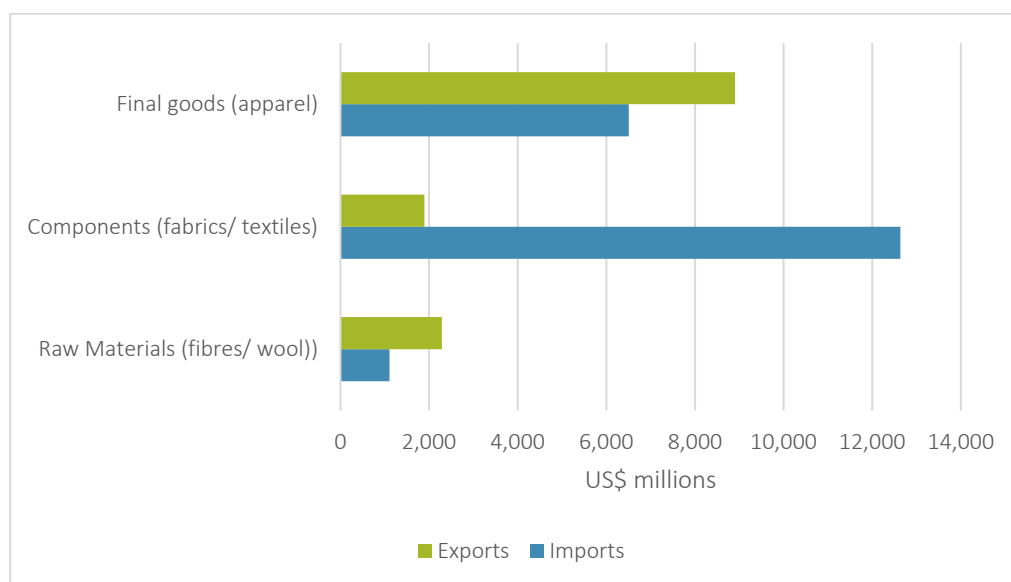
- the materials used in production
- the processing stage
- market practices and uses of the products
- the importance of the commodities in terms of world trade
- technological changes.

In this analysis T&C trade using HS-SITC concordances is categorised into i) raw materials (mostly cotton for Africa), ii) intermediate products (mostly fabrics/textiles) and iii) finished goods (apparel). It is important to note that there are limitations to trade data and, for this analysis especially, access to reliable African trade data is not always available, and this does impact on the analysis. Furthermore, as trade data may be distorted or simply not reported for a given year, we only considered a review period for the years where complete data was available. In this case, the latest available year for data sourced from UN ITC TradeMap was 2020. We must therefore treat the analysis as indicative of trade flows over the review period.

Overview of global trade in textile and clothing in Africa

This section is purely descriptive and highlights the trends in Africa's T&C trade both at the global and continental levels. Figure 1 highlights Africa's global trade profile for 2020 and shows that Africa has a trade deficit in T&C trade, although the continent enjoys surpluses in raw materials and final goods trade. In the next sub-sections, the analysis focuses on the different stages of the VC highlighting key trends at each stage.

Figure 1: Africa's global imports and exports trade in T&C (2020)

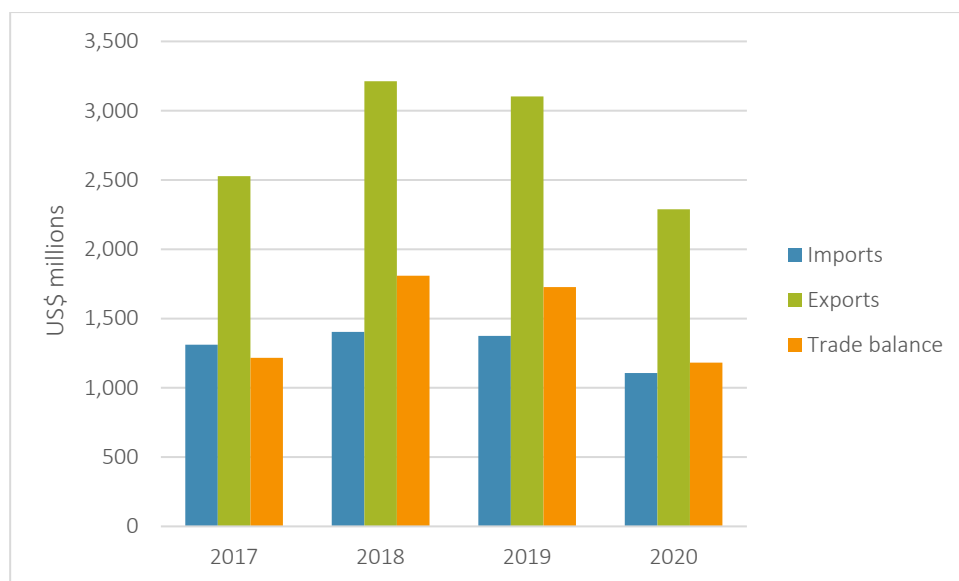


Source: ITC TradeMap database

Raw materials

There are nine major types of raw materials commonly used in clothing production. These include synthetic materials (sourced from fossil fuels), cotton, wool, leather, silk and cellulosic fibres, among others. African global trade in T&C raw materials reveals that Africa has a trade surplus with total trade (imports and exports) in 2020 estimated at US\$3.4 billion. Exports accounted for about 68% (US\$2.3 billion) of its total trade.

Figure 2: Africa's trade performance of T&C raw materials (fibres/wool) trade – (2017–2020)



Source: ITC TradeMap database

Figure 2 above highlights over the review period 2017– 2020 that exports were on an upward trend and peaked in 2018 (US\$3,2 billion) before declining to the 2020 levels of US\$2.3 billion. Over the 5-year period exports declined by a compound average growth rate (CAGR) of 3%. Cotton and wool accounted for 90% of the exports with cotton being the major export (73%) and worth US\$1.7 billion in 2020. Synthetic and vegetable textiles experienced positive CAGR of 4% and 11% respectively. Table 1 below highlights Africa's raw materials trade composition by product for imports and exports.

Table 1: Africa's global trade in T&C raw materials (2017–2020)

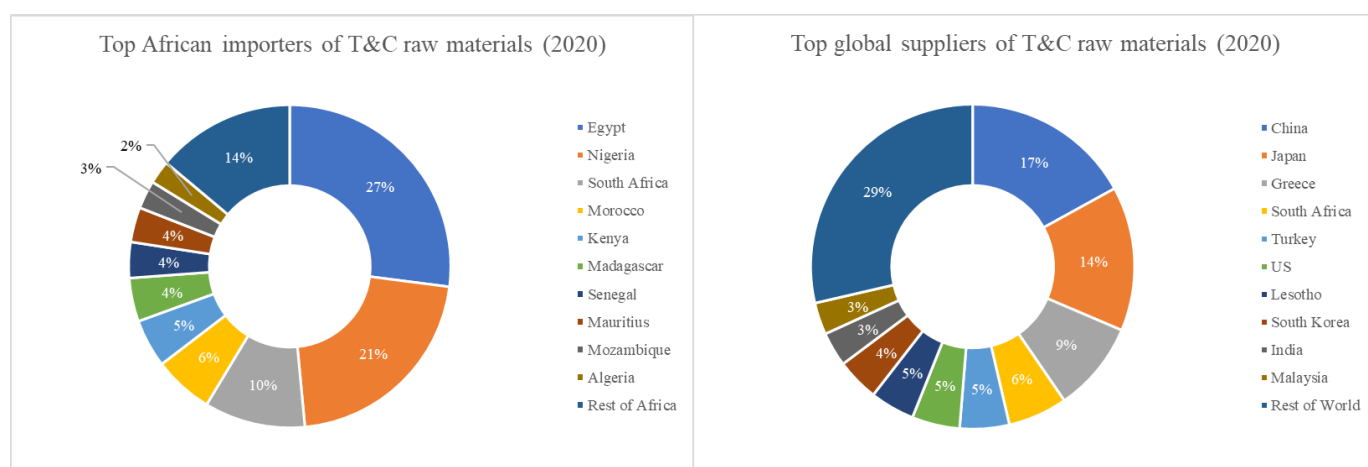
Africa's imports composition of T&C raw materials (fibres)					Africa's exports composition of T&C raw materials (fibres)				
Product description	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	%share (2020)	Product description	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	%share (2020)
Total	1 312	1 107	–5%		Total	2 528	2 289	–3%	
Synthetic fibres suitable for spinning	371	383	1%	35%	Cotton	1 782	1 682	–2%	73%
Cotton	420	285	–12%	26%	Wool and other animal hair (including wool tops)	555	393	–11%	17%
Other man-made fibres suitable for spinning; waste of man-made fibres	266	224	–5%	20%	Synthetic fibres suitable for spinning	97	109	4%	5%
Wool and other animal hair (including wool tops)	185	140	–9%	13%	Vegetable textile fibres (other than cotton and jute), raw or processed but not spun; waste of these fibres	50	68	11%	3%
Vegetable textile fibres (other than cotton and jute), raw or processed but not spun; waste of these fibres	43	53	7%	5%	Jute and other textile bast fibres, n.e.s., raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock)	33	32	–2%	1%
Jute and other textile bast fibres, n.e.s., raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock)	24	21	–5%	2%	Other man-made fibres suitable for spinning; waste of man-made fibres	9	5	–20%	0%
Silk	2	1	–21%	0%	Silk	0	0	51%	0%

Source: ITC TradeMap database

Figure 3 highlights the top African importers and the respective top global suppliers of T&C raw materials. The following can be noted from Figure 3:

- Egypt and Nigeria account for almost half of the imports of raw materials.
- South Africa, Morocco and Kenya account for an additional 21% share of imports.
- Top 10 African countries account for about 86% of total raw materials imports and are located mostly in Southern Africa (South Africa, Madagascar, Mauritius, Mozambique) followed by North Africa (Egypt, Morocco, Algeria); West Africa (Nigeria, Senegal) with East Africa being represented by Kenya in the top 10 importers.
- Global suppliers are relatively diverse although mostly concentrated in Asia with the top 10 accounting for 71% of global T&C raw materials exports to Africa.
- China and Japan account for over 30% of total T&C raw materials exports to Africa.
- African countries in the top 10 raw materials exporters include South Africa and Lesotho. Both have a combined share of 11% in 2020.
- The US ranks 6th top supplier of T&C raw materials.

Figure 3: Africa's top importers and global suppliers (exporters) of T&C raw materials (2020)

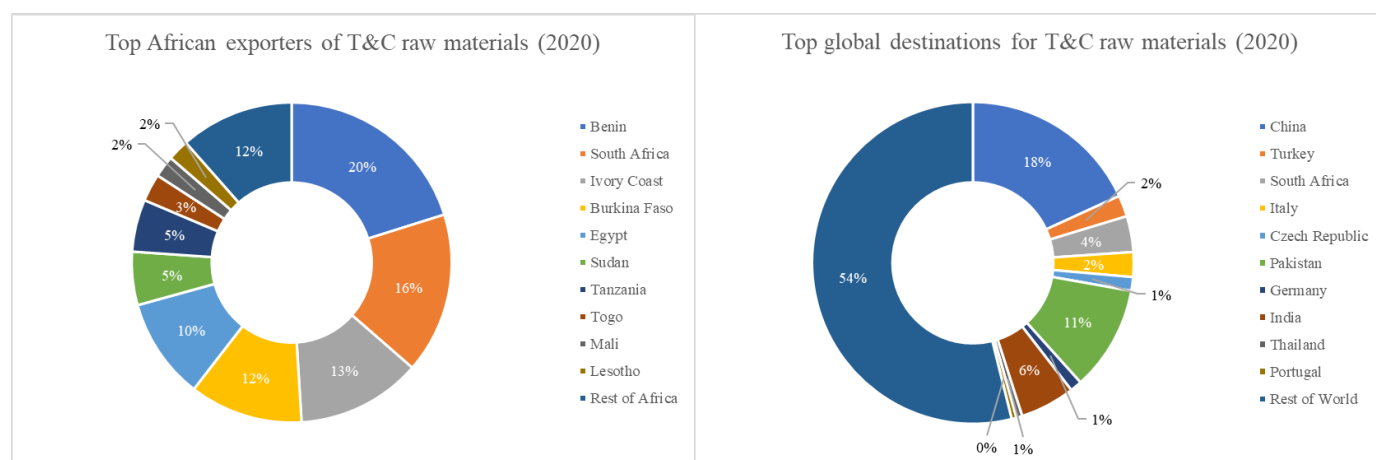


Source: ITC TradeMap database

Top African exporters and global destinations of T&C raw materials for the period 2020 are highlighted in Figure 4 below and the following can be noted:

- West African countries Benin, Ivory Coast, Burkina Faso, Togo and Mali dominate exports accounting for 50% and ranked 1st, 3rd, 4th, 7th and 8th top African exporters respectively.
- South Africa is ranked 2nd with a share of 16%, this together with Tanzania and Lesotho represented Southern African Development Community (SADC)'s top exporters of raw materials in 2020.
- The top 10 Africa exporters of T&C raw materials accounted for 88% of total African exports in 2020.
- Global destinations are diverse with the top 10 destinations accounting for less than 50% of Africa's total exports of T&C raw materials. The top 10 importers are spread across different continents although Asia dominates.
- The three EU countries – Italy, Germany and Portugal – feature in the top 10 with a combined share of only 4% of Africa total exports.
- Again, South Africa features amongst top destinations (importers) and as already highlighted is central to intra-Africa imports of T&C.

Figure 4: Africa's top exporters and global destinations (importers) of T&C raw materials (2020)



Source: ITC TradeMap database

Next the analysis focuses on Africa's trade of components (intermediate products/inputs) over the same review period 2017–2020.

Components (textiles/fabrics)

Components, refer to items that are used during the production process. For clothing these can include fabric, buttons, thread, zippers, garment labels and many other items. Such items are also referred to as trims and notions by the fashion industry.

Africa's trade performance of T&C components products reveals that imports have been on an upward trajectory since 2017 and only declined in 2020, which may be partly attributed to the disruptions in cross border trade caused by the COVID-19 pandemic. Exports were minimal over the review period (2017–2020) and relatively stagnant. Africa's total T&C components trade (imports and exports) amounted to over US\$14.5 billion in 2020. Imports accounted for 87% of Africa's total trade.

Figure 5: Africa's trade performance of T&C components (textiles/ fabrics) trade (2017–2020)



Source: ITC TradeMap database

Table 2: Africa's global trade in T&C component products (2017–2020)

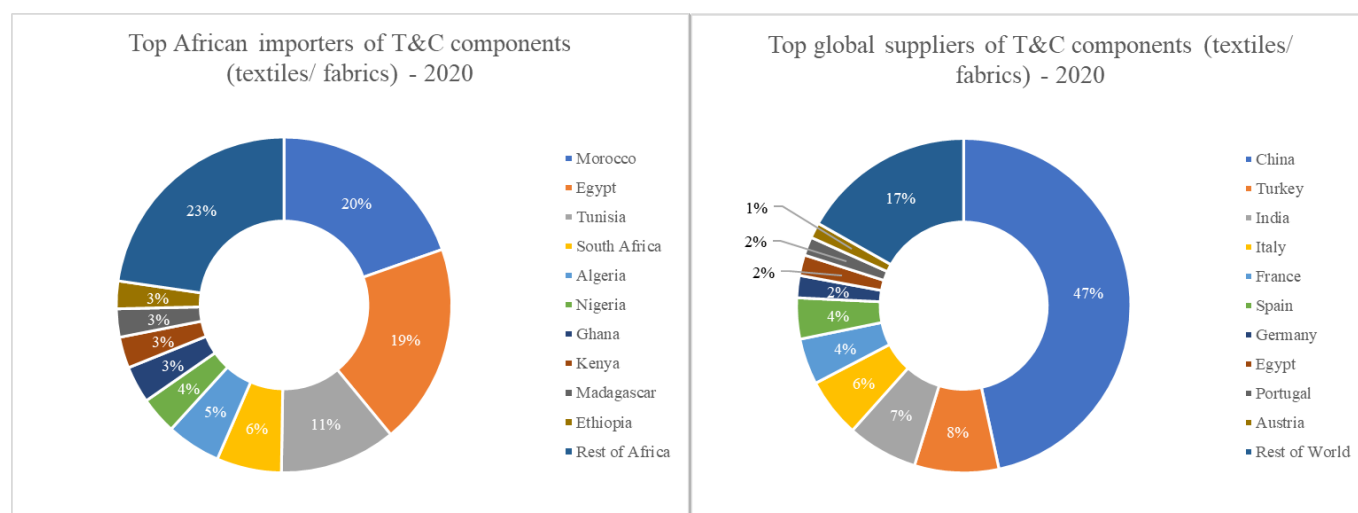
Africa's imports composition of T&C components (textile/fabrics)					Africa's exports composition of T&C components (textile/fabrics)				
Row Labels	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	%share (2020)	Row Labels	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	%share (2020)
Grand Total	11 737	12 637	2%		Total	2 028	1 893	–2%	
Fabrics, woven, of man-made textile materials (not including narrow or special fabrics)	3 191	3 662	5%	29%	Floor coverings, etc.	378	447	6%	24%
Textile yarn	2 364	2 078	–4%	16%	Textile yarn	447	385	–5%	20%
Cotton fabrics, woven (not including narrow or special fabrics)	2 148	1 968	–3%	16%	Cotton fabrics, woven (not including narrow or special fabrics)	418	289	–12%	15%
Special yarns, special textile fabrics and related products	1 648	1 905	5%	15%	Special yarns, special textile fabrics and related products	360	286	–7%	15%
Knitted or crocheted fabrics (including tubular knit fabrics, n.e.s., pile fabrics and openwork fabrics), n.e.s.	1 316	1 759	10%	14%	Fabrics, woven, of man-made textile materials (not including narrow or special fabrics)	206	278	10%	15%
Floor coverings, etc.	343	507	14%	4%	Knitted or crocheted fabrics (including tubular knit fabrics, n.e.s., pile fabrics and openwork fabrics), n.e.s.	145	136	–2%	7%
Other textile fabrics, woven	329	380	5%	3%	Tulles, lace, embroidery, ribbons, trimmings and other smallwares	47	53	4%	3%
Tulles, lace, embroidery, ribbons, trimmings and other smallwares	398	376	–2%	3%	Other textile fabrics, woven	27	18	–12%	1%
Made-up articles, wholly or chiefly of textile materials, n.e.s.	1	1	12%	0%	Made-up articles, wholly or chiefly of textile materials, n.e.s.	1	1	5%	0%

Source: ITC TradeMap database

Table 2 above shows Africa's trade composition by product for imports and exports. Given that Africa is a net importer it's not surprising that virtually all products classified under components are imported in significant values exceeding US\$370 million except for 'Made-up articles, wholly or chiefly of textile materials, n.e.s.'. Top three imported products accounted for over 60% share of imports. These included:

- fabrics, woven of man-made textile materials (not including narrow or special fabrics)
- textile yarn
- cotton fabrics, woven (not including narrow or special fabrics).

Figure 6: Africa's top importers and global suppliers (exporters) of T&C components (2020)



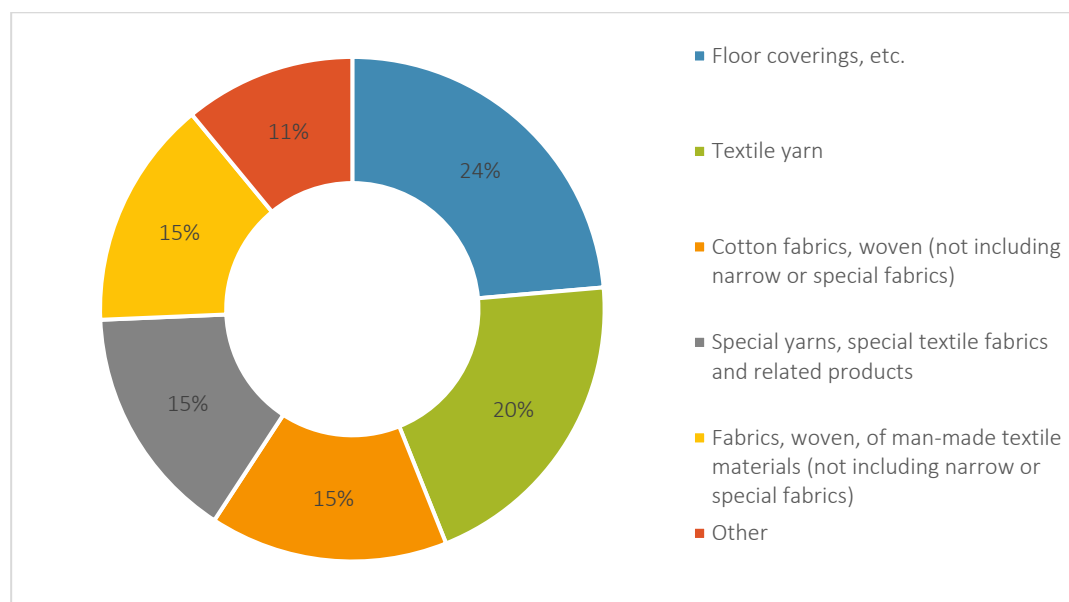
Source: ITC TradeMap database

Top importers of components (Figure 6) are located mostly in four of the five African regions, namely North Africa (Morocco, Egypt, Tunisia, Algeria); West Africa (Nigeria, Ghana); East Africa (Kenya, Ethiopia); and Southern Africa (South Africa, Madagascar). These countries accounted for 77% of total imports of components. In the case of South Africa, there is need for caution and further analysis may be required to ascertain whether the imports do not end up as re-import in either Lesotho or Eswatini. China dominates supply to Africa accounting for 47% of Africa's total T&C components imports in 2020.

In terms of exports, these are relatively insignificant – in the global scheme (US\$2 billion) accounting for less than 1% of global components trade, highlighting the need for Africa to domesticate the value

addition processes instead of exporting only raw materials as highlighted in the previous sub-section. Figure 7 shows Africa's major exports of T&C components (2020).

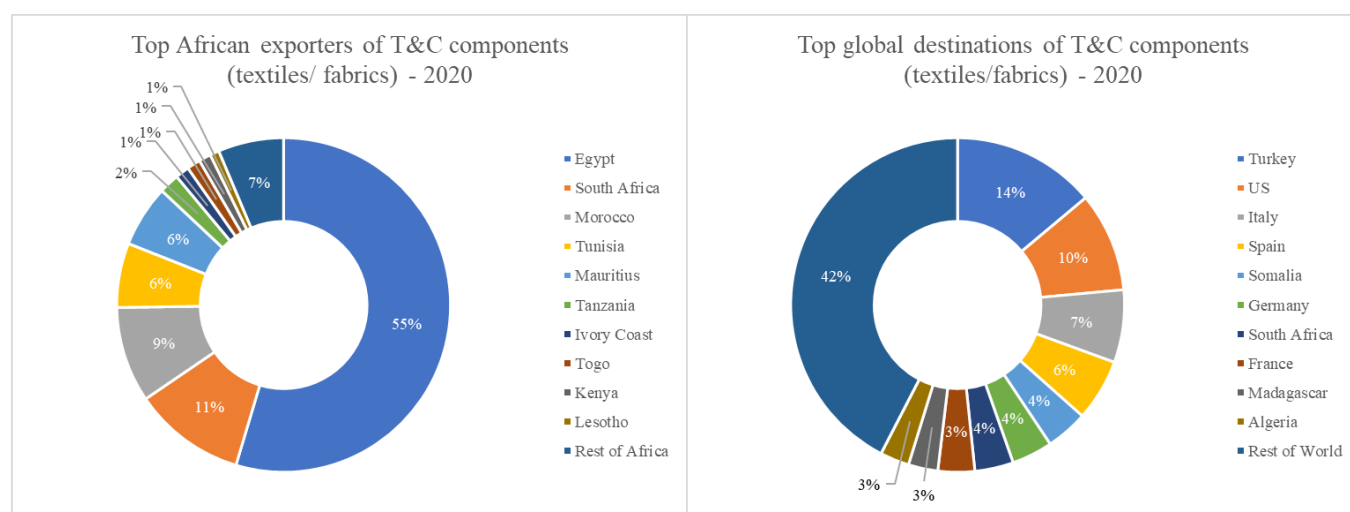
Figure 7: Africa's exports of T&C components by market share (2020)



Source: ITC TradeMap database

Figure 8 highlights the top exporters and note that despite the exports being relatively low in value terms, some value addition is already occurring, in mainly Egypt which accounts for 55% of total exports. Other exporters include South Africa (11%), Morocco (9%), Tunisia (6%) and Mauritius (6%).

Figure 8: Africa's top exporters and global destinations (importers) of T&C components (2020)



Source: ITC TradeMap database

Export destinations include Turkey, the US, Italy and Spain amongst the top importers of Africa's T&C components products in 2020.

Final products (apparel)

Africa enjoys a trade surplus in T&C finished products (i.e., clothing/apparel). Total T&C trade of final products (imports and exports) was worth US\$15.4 billion in 2020. Exports accounted for 58% (US\$8.9 billion) in 2020. From 2017 to 2018 exports were growing and slightly declined in 2019 before slumping again in 2020. COVID-19 disruptions may explain the 2020 decline and 2021 data should confirm the direction of trade given that trade had relatively normalised after lifting of lockdowns at the end of 2020. Over the review period (2017–2020) exports declined by 2%. Imports on the other hand were relatively lower than exports but grew over the review period by 3% CAGR.

Figure 9: Africa's trade performance of T&C finished products (apparel) trade (2017–2020)



Source: ITC TradeMap database

Table 3: Africa's global trade in T&C final products (2017–2020)

Africa's imports composition of T&C final products (apparel)					Africa's exports composition of T&C final products (apparel)				
Product	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	%share (2020)	Product	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	%share (2020)
Total	6 003	6 508	3%		Total	9 483	8 904	–2%	
Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.	1 863	2 025	3%	31%	Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.	3 514	2 723	–8%	31%
Men's or boys' clothes, not knitted or crocheted (other than those of subgroup 845.2)	1 179	1 372	5%	21%	Men's or boys' clothes, not knitted or crocheted (other than those of subgroup 845.2)	2 282	2 611	5%	29%
Women's or girls' clothes, not knitted or crocheted (other than those of subgroup 845.2)	1 140	1 084	–2%	17%	Women's or girls' clothes, not knitted or crocheted (other than those of subgroup 845.2)	2 402	2 352	–1%	26%
Women's or girls' clothes, knitted or crocheted (other than those of subgroup 845.2)	597	860	13%	13%	Women's or girls' clothes, knitted or crocheted (other than those of subgroup 845.2)	684	668	–1%	8%
Men's or boys' clothes, knitted or crocheted (other than those of subgroup 845.2)	536	613	5%	9%	Men's or boys' clothes, knitted or crocheted (other than those of subgroup 845.2)	387	376	–1%	4%
Clothing accessories, of textile fabrics, whether or not knitted or crocheted (other than those for babies)	687	554	–7%	9%	Clothing accessories, of textile fabrics, whether or not knitted or crocheted (other than those for babies)	215	173	–7%	2%

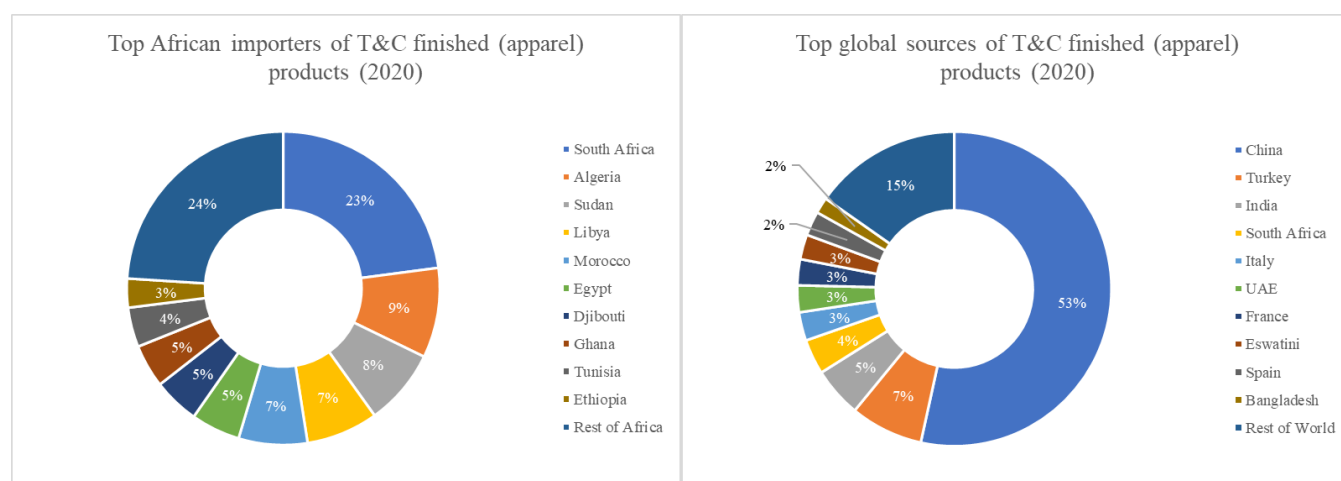
Source: ITC TradeMap database

Table 3 breaks down the final products and specifies type of clothing. From the analysis, for both imports and exports ‘apparel not elsewhere specified (n.e.s)’ accounted for 31% each in 2020. Men and women’s clothes were exported in relatively equal proportions and a similar trend can be seen with imports.

A look at top importers reveals that South Africa accounted for 23%, the only country with double-digit share in 2020. Algeria, Sudan and Libya accounted for an additional 24% share and overall, the top 10 accounted for about 76% share of total Africa T&C final products imports in 2020.

Global suppliers were dominated by China (53%), Turkey (7%) and India (5%). South Africa came a distant 4th with a share of 4% of total Africa T&C final products imports in 2020 (see Figure 10).

Figure 10: Africa’s top importers and global suppliers (exporters) of T&C final goods (2020)



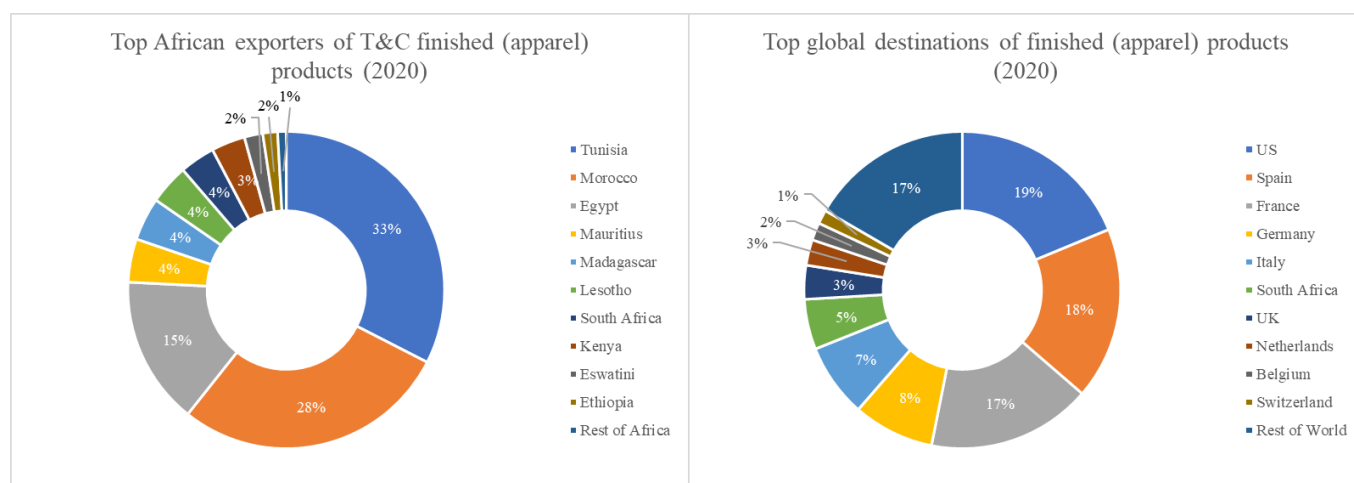
Source: ITC TradeMap database

The absence of African countries as suppliers in Africa demonstrates the earlier notion that the global North remains a major market of the African final products exports. This is confirmed in Figure 11 below where the US and EU countries plus UK account for the bulk of Africa’s T&C final products exports. South Africa is ranked 6th top exporter in 2020 with a market share of 5%. Take caution again as these may be re-exports especially to Zimbabwe and Zambia and originating in Lesotho and Eswatini as this is where South African retailers are outsourcing their clothing or apparel merchandise.

The US is a key destination for finished T&C goods due to preferences accorded to eligible African countries under the Africa Growth Opportunity Act (AGOA), subject to rules of origin (RoO) conformity.

The AGOA facility offers an opportunity for clothing and some textiles upon which sub-Saharan countries can rebuild their industries. In this regard, a total of 26 African countries qualify to export finished T&C goods under AGOA, with Lesotho, Ethiopia, Mauritius, and Kenya amongst the top beneficiaries. Loss of market access to the US market can spell disaster to countries which are manufacturing to the specifications of the US market without alternative markets to diversify to. A key issue for African countries is 3rd country fabric provision under AGOA, which allows African countries to enjoy duty-free access to the US market for apparel made from yarns and fabrics originating from anywhere in the world (also known as the “cut and sew” or “single transformation” rules of origin). This is important for value chain development in the context of regional value chain development.

Figure 11: Africa’s top exporters and global destinations (importers) of final goods (2020)



Source: ITC TradeMap database

With regards to the EU, under the Economic Partnership Agreement (EPA), African countries are eligible to export textiles and clothing duty free quota free (e.g., South Africa, Egypt, Mauritius) and Everything But Arms (EBA) for least developed countries (e.g., Lesotho, Eswatini, Ethiopia). The UK which is also a major destination for finished apparel has in place preferential access for African countries under the UK – EPAs as well as the general system of preferences (GSP). South Africa is a top destination for apparel originating from SACU (mainly Eswatini and Lesotho), and SADC (Mauritius, Madagascar).

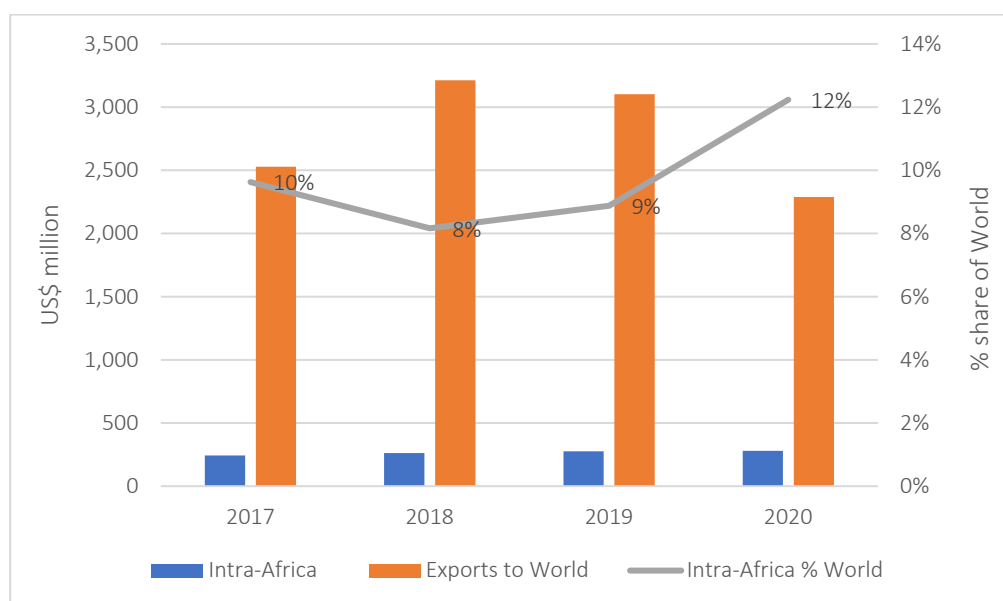
Intra-Africa trade in textiles and clothing

The above section demonstrated that Africa is indeed a player in the T&C global value chain and mostly in the raw materials and final products categories. There is little value addition of raw materials as shown by the trade deficit of T&C components trade over the review period (2017–2020). In the sub-sections to follow, the analysis undertaken here aims to ascertain the level of intra-Africa trade at each stage of the T&C value chain.

Raw materials

Intra-Africa trade in T&C raw materials was worth US\$280 million which translates to 12% of Africa's total T&C raw materials exports in 2020. Over the review period, intra-Africa trade share of world has been on an upward path between 2018 to 2020 (see Figure 12).

Figure 12: Intra-Africa trade as a share of Africa's global exports of T&C raw materials (2017–2020)

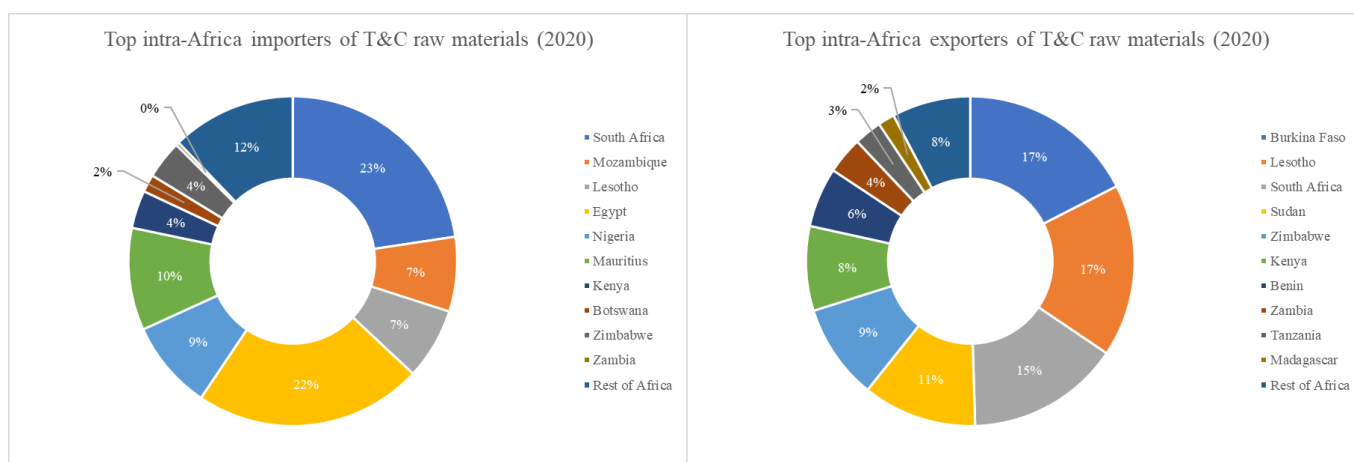


Source: ITC TradeMap database

Southern African countries dominate both as importers and exporters of intra-Africa T&C raw materials. South Africa, Mauritius, Mozambique and Lesotho are the top importers from Southern Africa accounting for 47% share of total T&C intra-Africa raw materials imports in 2020. Egypt, Nigeria and Kenya, the only countries outside Southern Africa accounted for an additional 35% share. Top 10 intra-Africa importers accounted for virtually all intra-Africa imports of T&C raw materials in 2020.

On the supply side, it is no surprise that top cotton producers from West Africa feature in the top 10 intra-Africa exporters of T&C raw materials in 2020. These are Burkina Faso and Benin. The rest are from Southern Africa with the exception of Sudan, Kenya and Tanzania from the East. Southern African countries accounted for a combined 46% share of total T&C intra-Africa raw materials exports in 2020. Top countries in this region included Lesotho, South Africa, Zimbabwe, Zambia and Madagascar. Top 10 intra-Africa exporters accounted for 92% market share with the balance of 8% share of total T&C intra-Africa raw materials exports accounted for by Rest of Africa (see Figure 13).

Figure 13: Africa's top intra-Africa importers and intra-Africa suppliers of T&C raw materials (2020)



Source: ITC TradeMap database

A look at intra-Africa product composition reveals the unexpected as cotton and wool dominate trade. This is because very few countries have the technology to manufacture synthetic fibres despite an abundance of fossil fuel from countries such as Nigeria and Angola, thus reinforcing the lack of value addition in Africa.

Table 4 reveals the following:

- Total intra-Africa trade of T&C raw materials was US\$280 million in 2020 and grew by 5% (CAGR) over the review period (2017–2020).
- Spectacular growth was experienced in vegetable textile fibres (21% CAGR) and synthetic fibres for spinning (13% CAGR) over the review period (2017–2020).
- Wool intra-Africa trade declined by 2% (CAGR) and may be caused by droughts experienced in

this period that affected animals in Southern and East Africa.

Table 4: Africa's intra-Africa trade of T&C raw materials by product group

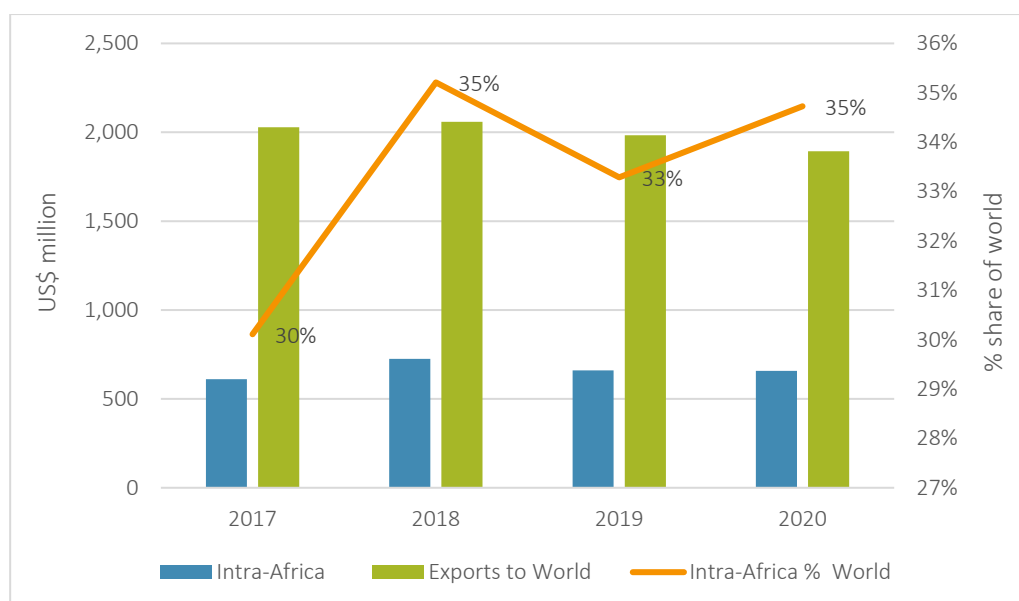
Product	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	% share (2020)
Total	243	280	5%	
Cotton	146	164	4%	58.66%
Wool and other animal hair (including wool tops)	48	45	–2%	16.10%
Synthetic fibres suitable for spinning	27	39	13%	13.91%
Vegetable textile fibres (other than cotton and jute), raw or processed but not spun; waste of these fibres	9	16	21%	5.81%
Jute and other textile bast fibres, n.e.s., raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock)	12	15	7%	5.26%
Other man-made fibres suitable for spinning; waste of man-made fibres*	2	1	–24%	0.25%
Silk*	0.1	0.01	–79%	0.003%

Source: ITC TradeMap database

Components (textiles/fabrics)

Intra-Africa trade in T&C components depicts a slightly different picture to raw materials in the sense that trade is much higher in value terms, worth over US\$600 million in 2020. Furthermore, there is a higher level of intra-Africa trade in T&C components than in T&C raw materials (i.e., 35% and 23% respectively in 2020). Over the review period intra-Africa share of global trade was on the rise from 30% in 2017 to 35% in 2020 (see Figure 14).

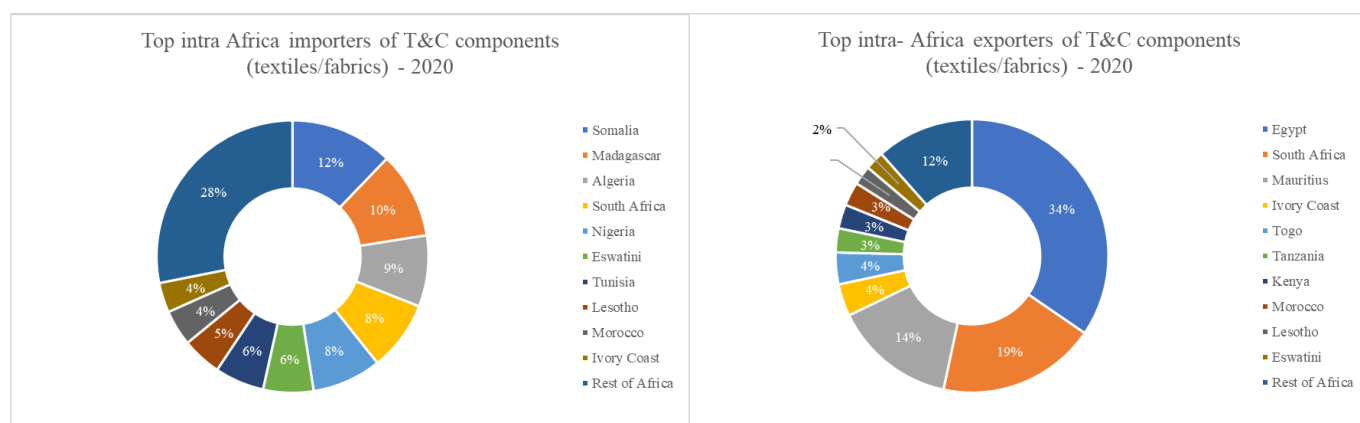
Figure 14: Intra-Africa trade as a share of Africa's global exports of T&C components (2017–2020)



Source: ITC TradeMap database

While intra-Africa importers of T&C components are relatively concentrated amongst the top 10 importers accounting for 72% of total intra-Africa T&C components imports in 2020, the supply side is much more concentrated, with the top 10 accounting for 88% share of total intra-Africa T&C components exports. South Africa, Ivory Coast, Eswatini, Lesotho and Morocco were both exporters and importers of intra-Africa T&C components in 2020 (Figure 15).

Figure 15: Africa's top intra-Africa importers and intra-Africa suppliers of T&C components (2020)



Source: ITC TradeMap database

Cotton fabrics and special yarns are the most traded accounting for 44% of total intra-Africa T&C components trade. Important to note however, that other top 4 product groups are equally in demand as their market shares are relatively distributed equally (see Table 5). In terms of trade performance, overall, intra-Africa T&C components trade declined by 5% (CAGR) over the 5-year review period (2017–2020). Spectacular growth was experience in floor coverings trade (57% CAGR) and relatively high growth in ‘Fabrics, woven, of man-made textile materials (not including narrow or special fabrics).

Table 5: Africa’s intra-Africa trade of T&C components by product group

Product	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	% share (2020)
Total	589	633	2%	
Cotton fabrics, woven (not including narrow or special fabrics)	163	139	–5%	21.99%
Special yarns, special textile fabrics and related products	140	138	–1%	21.78%
Floor coverings, etc.	28	110	57%	17.45%
Fabrics, woven, of man-made textile materials (not including narrow or special fabrics)	62	83	10%	13.05%
Knitted or crocheted fabrics (including tubular knit fabrics, n.e.s., pile fabrics and openwork fabrics), n.e.s.	71	70	0%	11.11%
Textile yarn	99	70	–11%	11.08%
Tulles, lace, embroidery, ribbons, trimmings and other smallwares	19	17	–4%	2.66%
Other textile fabrics, woven	7	5	–6%	0.87%
Made-up articles, wholly or chiefly of textile materials, n.e.s.	0.14	0.04	–36%	0.01%

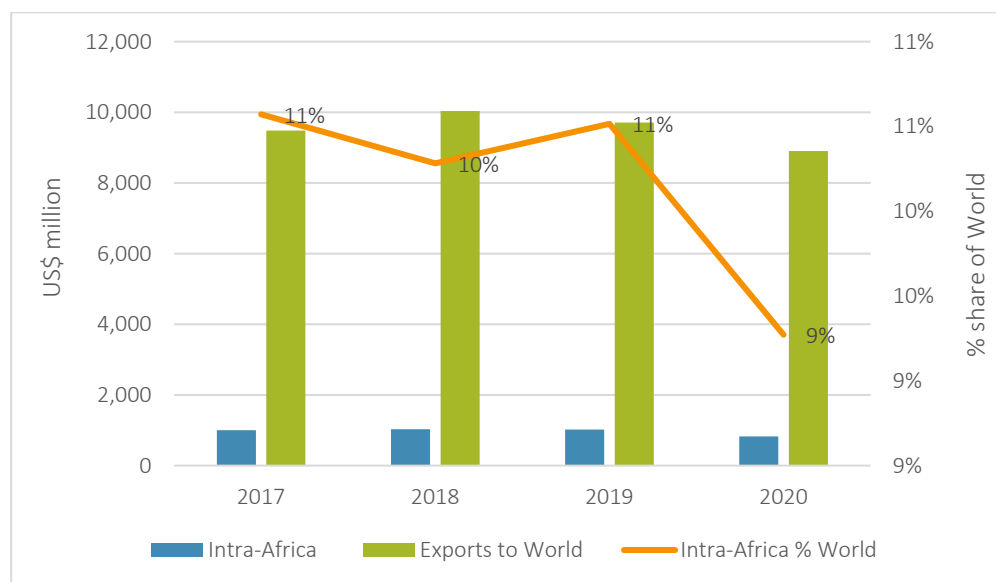
Source: ITC TradeMap database

Finished products (apparel)

The concerns that there are low levels of intra-Africa trade are evident in the T&C final products trade. Intra-Africa in T&C final products average 10% over the review period (2017–2020). Total intra-Africa trade of final products was US\$826 million in 2020, which was less than 10% of Africa’s total exports to World (see Figure 16). Across the value chain (VC) intra-Africa trade in T&C final products is the lowest – a situation caused by several issues including high tariffs that are still prevalent, targeting to markets

in the global north (US) and west (EU) where preferential access exists and prices are favourable. These and other issues will be discussed in the next sections.

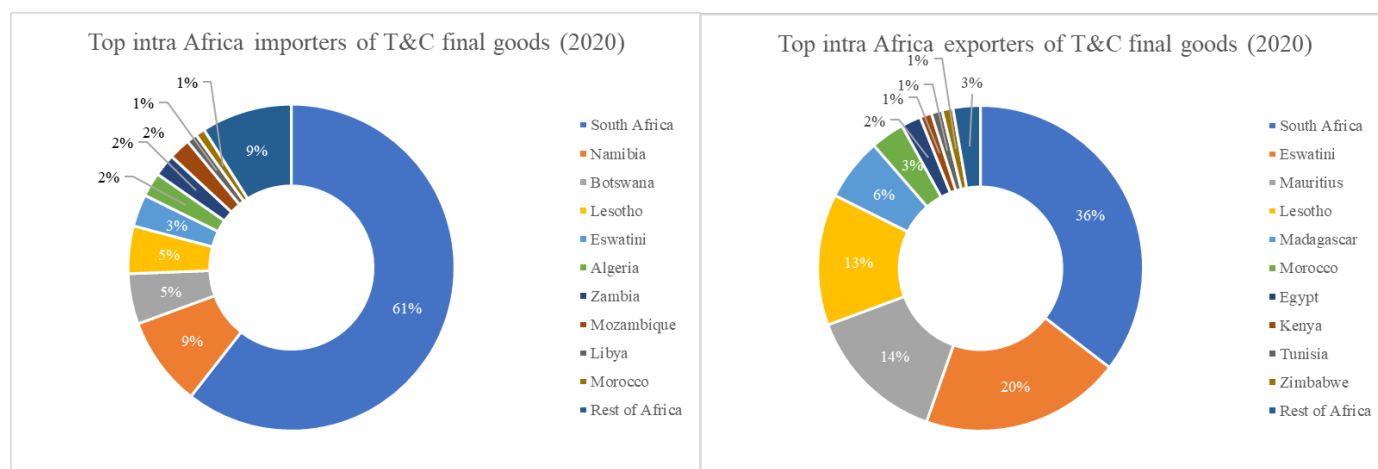
Figure 16: Intra-Africa trade as a share of Africa's global exports of T&C final products (2017–2020)



Source: ITC TradeMap database

From Figure 17, it is evident that manufacturers are located mostly in Southern Africa and notably from the Southern Africa Customs Union (SACU) with South Africa and Eswatini accounting for 56% of intra-Africa T&C final products exports in 2020. Similarly South Africa absorbed most of these exports as a top importer accounting for 61% share of intra-Africa T&C final products imports. Beyond Southern Africa other top suppliers included Morocco (3%), Egypt (2%), Kenya (1%) and Tunisia (1%), with a combined market share of 7% of intra-Africa exports in 2020. On the importers' side, Algeria, Libya and Morocco were the only countries beyond Southern Africa in the top 10 with less than 5% market share in 2020.

Figure 17: Africa's top intra-Africa importers and intra-Africa suppliers of T&C final products (2020)



Source: ITC TradeMap database

Top intra-Africa T&C final products trade in 2020 were men's clothes which accounted for 39% share of total intra-Africa T&C final products trade. Women's clothes accounted for 28%, like 'Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.' which also had 28% share in 2020.

In terms of trade performance, total intra-Africa T&C final products trade declined by 6% (CAGR) in 2020. At the product level the trend was downward for all product groups with 'Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.' recording the highest decline of 10% (CAGR) over the review period (2017–2020). Table 6 provides full details.

Table 6: Africa's intra-Africa trade of T&C final product by product group

Product	2017 US\$ m	2020 US\$ m	%CAGR (2017– 2020)	% share (2020)
Total	1 002	826	–6%	
Men's or boys' clothes, not knitted or crocheted (other than those of subgroup 845.2)	256	242	–2%	29%
Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.	312	229	–10%	28%
Women's or girls' clothes, not knitted or crocheted (other than those of subgroup 845.2)	186	147	–8%	18%
Women's or girls' clothes, knitted or crocheted (other than those of subgroup 845.2)	94	84	–3%	10%
Men's or boys' clothes, knitted or crocheted (other than those of subgroup 845.2)	106	81	–9%	10%
Clothing accessories, of textile fabrics, whether or not knitted or crocheted (other than those for babies)	48	42	–4%	5%

Source: ITC TradeMap database

Market access for textiles and clothing under AfCFTA

The establishment of RECs throughout the continent has boosted some regional trade. Intra-Africa trade is highly concentrated in RECs, especially those with preferential trade arrangements in place. However, trade between RECs is still required to build RVCs. This is important in cases where comparative advantages in raw materials and labour costs and, for example, varying levels of industrialisation mean that some countries outside of the RECs could form part of the RVCs. Tariffs in the RECs can, however, raise the cost for producers as intermediate goods are traded multiple times across borders. These tariffs also affect the choices of sourcing by producers as inputs from other African countries that may be competitively priced become too expensive once tariffs are taken into consideration. Table 7 summarises the maximum tariffs that are applied by African countries on intra-Africa trade and the following can be noted:

1. Raw materials

- The EAC has fully liberalised tariffs on T&C raw materials

- SADC has on average the highest ad valorem equivalent tariff (AVE) on T&C raw materials
- ECOWAS tariffs fall within the 5%–10% ad-valorem equivalent (AVE) tariff bands of its common external tariff (CET).
- IGAD also has duty free tariff on most product lines except to cotton and synthetic fibres. While there is no preferential arrangement in IGAD, duty free tariff can be explained by fact that i) most African countries at the national level liberalised raw material and input goods as incentive to promote value addition (e.g., Ethiopia) and or ii) IGAD members belong to other RECs that have preferential arrangements in place (e.g., Kenya, South Sudan, Uganda liberalised under EAC customs union, while Djibouti and Eritrea under COMESA)

2. Components (fabrics)

- Tariffs applied range from 20% to 40% (AVE) across the eight RECs
- The bulk of products however attract tariffs in the rate 20%–30% (AVE)
- Cotton fabrics have the highest rates applied across all 8 RECs with COMESA applying the maximum of 40% (AVE)
- On average AMU applies a 30% (AVE) maximum tariff on all T&C components except for cotton fabrics which attract a lower 20% (AVE) tariff. AMU just like IGAD has no preferential agreement and therefore the low MFN rates may be attributed to individual country liberalisation or application of preferential rates through membership in other RECs.

3. Final goods

- This is where the highest tariffs are applied with a maximum of 45% (AVE) levied on T&C final goods.
- ECOWAS has relatively lower tariffs than the other RECs as clothing is not regarded as special products under the ECOWAS CET.

- ECCAS does not have its own trade arrangement, but most of its members are also members of the Economic and Monetary Community of Central Africa (CEMAC) which has a CET with tariff bands almost similar to ECOWAS and clothing not classified under special products which attract high tariffs.
- SADC and COMESA apply the highest tariffs and in essence the most protected markets relative to other African REC markets. High tariffs in SADC are attributed to fact that SACU-SADC member states regard the clothing sector as sensitive and hence highly protected.
- AMU is the least protected market relative to other African REC markets, mostly because T&C manufacturing is not well developed, and member countries rely on third party countries for clothing/apparel supplies.

Table 7: Maximum tariffs applied by African countries on intra-Africa trade in T&C sector (2020)

Raw materials maximum tariff applied (%) – intra-Africa trade (2020)							
Description	AMU	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC (SACU)
Cotton	3	7	0	2	5	9	14
Jute and other textile bast fibres, n.e.s., raw or processed but not spun; tow and waste of these fibres	5	9	0		5	0	2
Other man-made fibres suitable for spinning		10	0		10	0	9
Silk		0		0	5		2
Synthetic fibres suitable for spinning	10	8	0	9	10	5	8
Vegetable textile fibres (other than cotton and jute)	3	8	0	10	5	0	4
Wool and other animal hair (including wool tops)		8	0	5	5	0	7

Components maximum tariff applied (%) – intra-Africa trade (2020)							
Description	AMU	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC
Cotton fabrics, woven (not including narrow or special fabrics)	20	40	38	38	35	38	38
Fabrics, woven, of man-made textile materials (not including narrow or special fabrics)	30	36	38	38	20	38	25
Floor coverings, etc.	30	34	25	30	20	34	30
Knitted or crocheted fabrics	30	25	25	25	20	25	25
Made-up articles, wholly or chiefly of textile materials, n.e.s.		28	25	26	20	25	24
Other textile fabrics, woven	30	25	25	25	20	35	22
Special yarns, special textile fabrics and related products	30	26	25	23	20	32	20
Textile yarn	30	24	25	12	20	26	24
Tulles, lace, embroidery, ribbons, trimmings and other smallwares	30	34	25	25	20	28	22
Final goods maximum tariff applied (%) – intra-Africa trade (2020)							
Description	AMU	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC
Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.	30	43	41	30	21	42	45
Clothing accessories, of textile fabrics, whether or not knitted or crocheted (other than those for babies)	30	44	35	23	20	35	45
Men's or boys' clothes, knitted or crocheted (other than those of subgroup 845.2)	30	41	34	26	21	35	44
Men's or boys' clothes, not knitted or crocheted (other than those of subgroup 845.2)	30	43	35	30	21	35	45
Women's or girls' clothes, knitted or crocheted (other than those of subgroup 845.2)	30	43	35	25	22	35	45
Women's or clothes, not knitted or crocheted (other than those of subgroup 845.2)	30	40	35	25	27	35	45

Source: World Bank WITS database

Table 7 clearly shows that tariffs remain relatively high in the T&C value chain especially upstream in the components and final goods stages. There is need for urgent reduction of tariffs among other interventions across the value chain to boost intra-Africa trade and promote the development of RVCs. It is important to note, however, that the utilisation of market access by businesses resulting from reduction in intra-African tariffs provided by AfCFTA hinges on RoOs which determine eligibility to market access. RoO can become a market barrier if not properly designed. Therefore, the design of rules of origin matters, and the success of AfCFTA will depend on acceptance and application of the negotiated RoO by businesses accompanied by correct enforcement and encouragement by government authorities.

Box 1 summarises the status of the AfCFTA RoO negotiations on T&C, which remains contentious and where no agreement has been reached.

Box 1: Progress on Rules of Origin (RoO) negotiations under AfCFTA

Only a small number of tariff lines in Chapters 50–63 – representing the textiles and clothing sector – have RoO criteria agreed.

This includes yarn made of silk, jute or flax, carpets, woven fabrics of metal thread, as well as a few others.

For most fabric, articles of clothing and household textiles (such as curtains, bed linen) the RoO have yet to be agreed. The key issue, in effect, involves agreeing on the number of distinct stages of (local) transformation that would confer AfCFTA origin.

For clothing, this means whether assembly of the garment from imported non-originating fabric confers origin (the so-called third country fabric criteria), or whether the fabric itself must also be from local sources (a double-transformation criteria).

For fabric, the question similarly is whether imported yarn may be used for onward processing, or whether both the fabric processing and the yarn production must take place within the AfCFTA State parties for the resulting products to obtain AfCFTA origin status.

Source: tralac (2021)

Mapping African textile and clothing players along the value chain

It is undeniable that intra-Africa trade remains low. Furthermore, the trade analysis above has demonstrated that activities in African countries tend to be concentrated at the highest and the lowest stages of value chains. It is important to note that the bulk of Africa's exports by value remain concentrated in raw and unprocessed goods. According to the World Economic Forum (WEF), such trends as exhibited in Africa trade have several implications. These include (WEF, 2020):

- Limited value-addition at the continental level as very few intermediate steps in the value chain are undertaken regionally for the largest proportion of exported goods by value.
- Economies exposed to volatility in commodity prices that might not exist for more processed products produced from these commodities.

The T&C industry is a diverse and heterogeneous industry that covers various activities that range from transformation of raw materials into fibres, yarns and fabrics to productions of synthetic textiles, wool, bedlinen and clothing among others. The products are used in multiple applications from garments, sports equipment, household, furniture, automobiles, aircrafts and medical textiles¹.

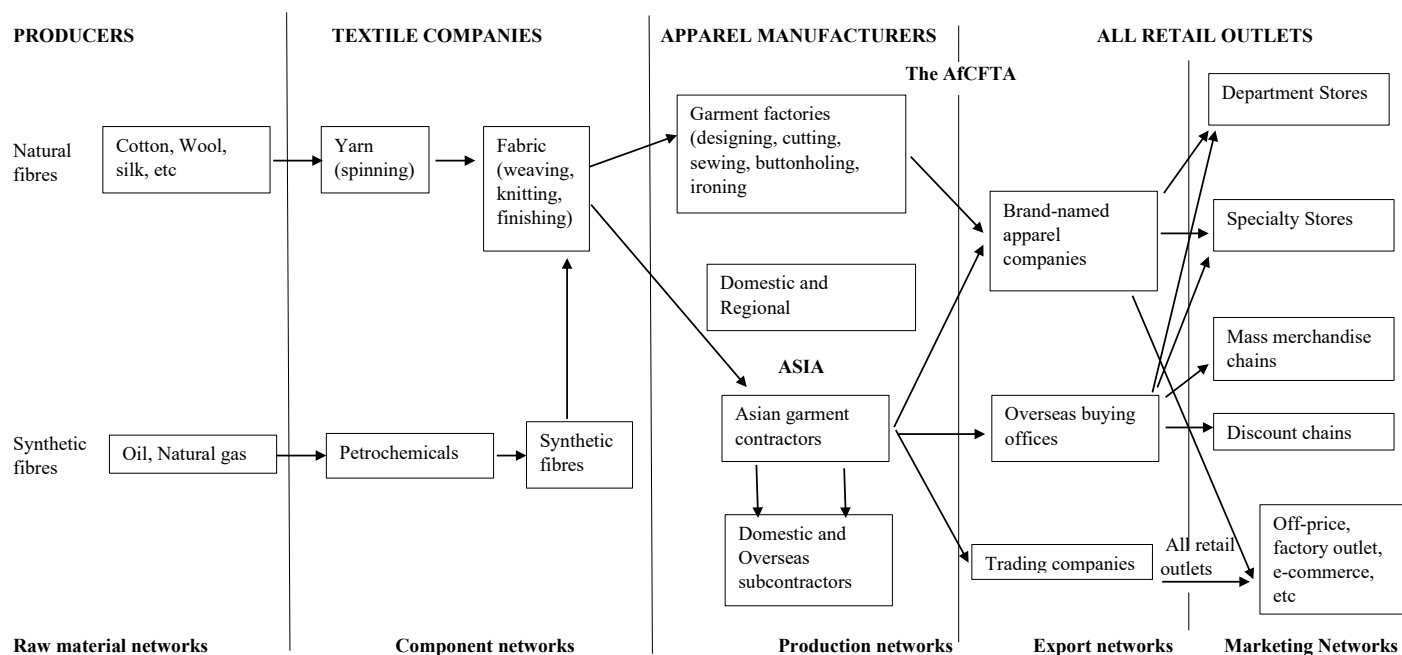
According to Gereffi and Memedovic (2003), the apparel value chain is organised around five main parts:

- i) raw material supply, including natural and synthetic fibres
- ii) provision of components, such as the yarns and fabrics manufactured by textile companies
- iii) production networks made up of garment factories, including their domestic and overseas subcontractors
- iv) export channels established by trade intermediaries
- v) marketing networks at the retail level.

¹ The Textile and Clothing Sector and the EU trade policy 2011. [online]: http://trade.ec.europa.eu/doclib/docs/2011/october/tradoc_148259.pdf

Figure 18 provides a decomposition of the different stages that have been highlighted above indicating how value addition can occur in the AfCFTA within a GVC.

Figure 18: Typical value chain for clothing and textile industry



Source: Adapted from Gereffi and Memedovic (2003)

From Figure 18 above, there are ample opportunities, for AfCFTA member states to position themselves at different stages of the chain albeit guided not only by their national but also regional development strategies. In the next section a revealed comparative analysis is undertaken. By using RCA and market access data, a continental VC is proposed highlighting where the high tariffs could be reduced under the AfCFTA and the implications of having simplified RoOs.

Revealed comparative advantage

Trade theory predicts that that trade patterns reflect different comparative advantages anchored in specialisation in different sectors or segments of production (Nower, 2019). Current T&C African exporters and the respective destinations are known and are relatively skewed towards the global North. Therefore, a concerted effort, at the regional level is required to ensure that all countries

promote the establishment and development of a vibrant regional T&C value chain, by boosting intra-Africa trade. The AfCFTA presents such opportunity to member states.

In this analysis, export data is used to calculate the relative comparative advantage (RCA) index for each African country at each of the three main stages in the T&C value chain under analysis (i.e. raw materials networks>components networks>production networks). RCA is based on Ricardian trade theory, which posits that patterns of trade among countries are governed by their relative differences in productivity. Although such productivity differences are difficult to observe, an RCA metric can be readily calculated using trade data to ‘reveal’ such differences (UNCTADSTAT, ‘n.d.’). Any RCA number above 1 indicates that the country has a revealed comparative advantage in that product, relative to the rest of the world. The greater the RCA above 1, the more intense the export advantage enjoyed by the country (Stuart, 2021).

The objective of calculating the RCA is to identify regions/countries that can develop vibrant T&C RVCs capitalising on the opportunities that the AfCFTA is envisaged to provide. Table 8 shows the top African countries with an RCA above 1 at each stage of the T&C value chain using 2020 data.

Table 8: Revealed comparative advantage of African countries participating in the T&C value chain (2020)

RAW MATERIALS			COMPONENTS			FINAL GOODS		
Country	RCA	Region	Country	RCA	Region	Country	RCA	Region
Africa	3.5	AfCFTA	Africa	3.0	AfCFTA	Africa	6.07	AfCFTA
Benin	323.6	West Africa	Mauritius	45.9	Southern Africa	Lesotho	118.78	Southern Africa
Togo	38.6	West Africa	Egypt	24.2	North Africa	Mauritius	68.14	Southern Africa
Lesotho	35.6	Southern Africa	Gambia	21.4	West Africa	Tunisia	56.08	North Africa
Burkina Faso	35.5	West Africa	Togo	15.9	West Africa	Madagascar	53.44	Southern Africa
Sudan	18.0	East Africa	Lesotho	13.0	Southern Africa	Eswatini	25.59	Southern Africa
Ivory Coast	13.7	West Africa	Benin	8.6	West Africa	Morocco	24.24	North Africa
Tanzania	12.0	East Africa	Tunisia	5.4	North Africa	Cabo Verde	19.97	West Africa
Senegal	6.9	West Africa	Eswatini	5.3	Southern Africa	Ethiopia	14.24	East Africa
Mali	5.8	West Africa	Morocco	4.0	North Africa	Kenya	13.65	East Africa

Egypt	5.2	North Africa	Madagascar	3.9	Southern Africa	Egypt	13.43	North Africa
Uganda	5.1	East Africa	Tanzania	3.9	East Africa	Rwanda	1.72	East Africa
Kenya	4.4	East Africa	Niger	3.3	West Africa	Djibouti	1.22	East Africa
Central African Republic	3.6	Central Africa	Ethiopia	2.9	East Africa	South Africa	1.2	Southern Africa
Zimbabwe	3.6	Southern Africa	Kenya	2.3	East Africa			
Mozambique	3.1	Southern Africa	South Africa	1.5	Southern Africa			
South Africa	2.6	Southern Africa	Uganda	1.3	East Africa			
Cameroon	2.4	Central Africa	Ivory Coast	1.3	West Africa			
Madagascar	2.3	Southern Africa	Mozambique	1.2	Southern Africa			
Chad	2.0	West Africa						
Malawi	1.6	Southern Africa						

Source: ITC TradeMap database, author's calculations

Potential players in the AfCFTA textiles and clothing value chain

From Table 8, it is interesting to note that three main regions dominate across all the three stages of the T&C value chain under review. These are Southern Africa, East Africa and West Africa. North African countries are more dominant in the downstream (components and final goods) stages. Figure 19 depicts how a T&C RVC could look like which stages could benefit from liberalisation under the AfCFTA. The North African and Southern African countries can play a vital role in the supply of components given that Africa has a trade deficit in components trade, by supplying the other three regions mentioned. Currently Egypt accounts for 34% of total intra-Africa exports of components, followed by South Africa and Mauritius.

The countries that benefit most from global value chains are those that buy raw materials, or partially beneficiated materials, and transform these into finished products. For the success of the AfCFTA, the following should materialise (UNDP, 2021):

- **Raw Material Networks** – all African countries benefit from AfCFTA liberalisation in raw materials, as this will positively impact components manufacturers who will have the ability to secure raw materials (cotton) at preferential rates across the continent.

- **Components Networks** – since the T&C value chain benefits from backward participation, reduction in tariffs will allow downstream manufacturers to increase sourcing from the continent. Currently the bulk of sourcing is from third country suppliers mostly from Asia (India and China) who are competitive and provide for just-in-time supplies. In this regard, EAC, SADC (SACU) and COMESA offers must be meaningful and target highly traded tariff lines.
- **Production Networks** – currently most T&C manufacturers across Africa are focus on the global markets especially the US (AGOA) and EU (EPA) where preferential treatment exists. Concerted efforts are required to encourage production for the African markets and apart from reduction in tariffs, RoO requirements should not end up becoming barriers to trade. Furthermore, state parties should desist from designating some T&C tariff lines in their exclusion lists.

There is a need for increased upward and downward participation in the T&C RVC in Africa that will require shifting from largely cut, make, trim (CMT) manufacturing towards full package and original brand manufacturing. Significant investment in capacity-building, technology and associated support services will be required. Thus, at the firm level, there is need for suppliers that can source materials, coordinate logistics, induce creative development and operate in locations that allow for shorter delivery cycles.

Figure 19: Potential regional value chain and associated regions for development

Raw Materials Networks		Components (intermediates) Networks		Production Networks	
<i>All African Countries will benefit from tariff reductions of raw materials under AfCFTA</i>		<i>The AfCFTA will have positive impacts on components and production network stages if all RECs provide meaningful tariff offers on their highly traded tariff lines</i>			
<i>SADC has highest maximum MFN rate of 14% COMESA maximum MFN at 10%</i>		Up to 40% duties applicable to components COMESA, EAC, ECOWAS, SADC have tariffs ranging from 20%–40% AVE and AfCFTA		Up to 45% duties applicable SADC and COMESA most protected	
EAST AFRICA	Countries with high RCA Sudan, Tanzania, Uganda, Kenya	NORTH AFRICA	Countries with high RCA Egypt, Tunisia, Morocco	EAST AFRICA	Countries with high RCA Ethiopia, Kenya, Rwanda
<i>Tariffs already duty free in the EAC</i>					
WEST AFRICA	Countries with high RCA Benin, Togo, Burkina Faso, Mali, Ivory Coast, Senegal, Chad	WEST AFRICA	Countries with high RCA Gambia, Togo, Benin, Niger, Ivory Coast	AFRICAN CONSUMERS	
<i>Average ECOWAS MFN at 7% and maximum at 10% for raw materials</i>					
SOUTHERN AFRICA	Countries with high RCA Lesotho, Zimbabwe, Mozambique, South Africa, Madagascar, Malawi	SOUTHERN AFRICA	Countries with high RCA Mauritius, Lesotho, Eswatini, Madagascar, South Africa	SOUTHERN AFRICA	Countries with high RCA Lesotho, Mauritius, Eswatini, Madagascar, South Africa

Conclusion

This paper has attempted to highlight the current trading patterns across the T&C value chain. The importance of establishing RVCs in the T&C sector has been boosted by the establishment of the AfCFTA. There is therefore a need for African governments of countries to make a deliberate effort to strengthen and align industrial policies to improve Africa's manufacturing capability and ultimately turn out more diversified African exports.

Trade preferences offered by the AfCFTA will go a long way in deepening economic integration if a conducive trading environment (quality infrastructure, removal of red tape, energy availability) is created by all member states. Furthermore, most important is the development of attractive investment packages that are attractive for businesses to locate critical manufacturing hubs in countries that offer such attractive packages. An example is Eswatini and Lesotho who created investment regimes that appealed to South African foreign direct investment (FDIs) as South Africa became unattractive due to high costs of production and strict labour requirements. The packages had 3 main pillars (Pasquali, et al, 2020: 380):

- i) establishing investment promotion agencies (i.e. the Lesotho National Development Corporation (LNDC) and the Eswatini Investment Promotion Agency (EIPA)) to reduce times and costs of setting up factories in the country
- ii) developing a package of tax incentives available to foreign investors
- iii) granting access to industrial infrastructure, e.g., factory 'shells' in industrial parks with subsidised rentals.

It is important to emphasise, however, that building an industrial-driven economy does not come about through a simple policy switch and the AfCFTA alone is not enough to promote expanded manufacturing in Africa and RVCs. Expanding the manufacturing sector through RVCs in Africa is a complex process, which requires infrastructural foundations to be overlaid with pragmatic probusiness policies. Competitiveness of Africa T&C VC is dependent on three main factors (World Bank, 2015; 13):

- i) 'Availability of regional fabric supply, with scale, variety and competitive pricing – this would

allow regional firms in downstream apparel sectors not only access to cost effective inputs but greater speed and flexibility.

- ii) Upgrading capacity of local firms, including adopting new production techniques and technology – this would allow regional firms to improve quality and productivity to offset relative competitiveness weaknesses stemming from relatively high labour costs.
- iii) Speed and flexibility to market, linked to both above but also to the transport and logistics environment – this would allow regional firms to compete on a non-price basis and move to higher value-added activities in the chain.’

Over and above the highlighted factors, minimum customs clearance times become just as critical as labour, reliable transport networks and materials costs. Trade facilitation becomes critical in this regard, with improvement in soft (regulatory) infrastructure and hard (physical) infrastructure, in addition to customs and border procedures at the core of this process. With a reduction in trade costs, it is possible for African countries to join RVCs and according to Shepherd (2016) is one factor in enabling them to ‘move up’ to higher value-added activities.

Finally, as the AfCFTA negotiates on RoO, the key issue involves agreeing on the number of distinct stages of (local) transformation that would confer originating status. For the clothing sector, this means (UNDP, 2021):

- i) whether assembly of the garment from imported non-originating fabric confers origin (third country fabric criteria), or
- ii) whether the fabric itself must also be from AfCFTA state parties (a double-transformation criterion as is utilised by SADC for its RoO).

For fabric, the question is:

- i) whether imported yarn may be used for onward processing, or

- ii) whether both the fabric processing and the yarn production must take place within the AfCFTA state parties for the resulting products to obtain AfCFTA origin status. Finalisation of appropriate and RVC-enabling RoOs is critical for this RVC to realise its potential.

In a nutshell, RoO will be the game changer in the T&C value chain development and therefore it is important that a simplified RoO regime, that will facilitate as opposed to restrict African intra-regional trade, is developed and agreed upon.

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