

The Potential of the Clothing & Textile Regional Value Chain under

the AfCFTA

John Stuart



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ABSTRACT

This Trade Report analyses one of the value chains identified as a development priority by the AfCFTA: the clothing, textile & leather sector (CT&L) in Africa, from the perspective of the regional and global value chain dimensions. The imperative for value chain development in the context of the AfCFTA is first established, before undertaking an analysis of existing and potential regional value chain development within the specific sector. Finally, a gender analysis using enterprise (microeconomic) data is undertaken, before conclusions and policy recommendations are drawn out in the final section.

About the Author

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The Potential of the Clothing & Textile Regional Value Chain under the AfCFTA

By John Stuart¹

Introduction

Regional Value Chains (RVCs) – a localised form of a global value chain (GVC) – are a form of trade that involves a chain of intermediate products and services value addition from multiple contributing countries into a final product. The 'regional' variant refers to the component of the value chain that exists among countries confined to a specific geographical region, such as Africa or South-East Asia. These countries may collectively produce the final product, from raw materials sourced elsewhere or within the region. Equally, the countries in the RVC may together produce an unfinished product that is finished and finally exported by a country in a different region.

In the case of Africa, most of its value chain participation is 'forward' from raw materials extraction to the exportation to other regions, where additional beneficiation takes place. It is in the 'downstream' beneficiation, that takes place beyond Africa's borders, that the bulk of value addition takes place and therefore the bulk of the benefit – to growth, development, upskilling, employment, and diversification – is enjoyed. For this reason, and in the context of Africa's industrialisation challenges, there exists an imperative for African industries to 'upgrade'² from their current status as raw materials producers.

In order to upgrade, firstly the potential of the sector/industry needs to be established. This involves leveraging existing strengths in terms of resource, labour, capital, and infrastructure endowments. Where RVCs are nascent or barely established, an analysis of the potential for value chains development

¹ I am grateful to Trudi Hartzenberg for valuable feedback on an earlier draft.

This trade report is one of two exploring the same theme, one focussing on the broad agricultural value chain and one on the CT&L value chain. These papers consequently share certain content.

I would like to thank the Enterprise Analysis Unit of the Development Economics Global Indicators Department of the World Bank Group for making their data available.

² 'Upgrading' refers to the process of graduating to downstream phases in the value chain (see Kaplinksy and Morris 2001).



is required, which would draw on existing industrial, trade and enterprise data. Thereafter, policy implications and implications also for gender equity would need to be considered.

This Trade Report attempts such an analysis by focusing on one of the value chains identified as priority by the AfCFTA (AfCFTA, 2021): the clothing, textile & leather sector (CT&L)³ in Africa, from the perspective of the regional and global value chain dimensions. The imperative for value chain development in the context of the AfCFTA is first established, before undertaking an analysis of existing and potential regional value chain development within the specific sector. Finally, a gender analysis using enterprise (microeconomic) data will be undertaken, before conclusions and policy recommendations are drawn out in the final section.

Value chains for development in the digital age

The ways in which developing countries industrialised post the industrial revolution have drawn attention from scholars for decades. The 'Asian tigers' are a group of South-East Asian countries⁴ that industrialised in the 1960s, by following an export-led growth path, supported by 'state capitalism' – attentive industrial and trade policy that created the environment for the targeted industries countries to flourish.

Thirty years later, Malaysia, Thailand, China, India, and The Philippines industrialised in a similar exportled fashion, with the exception that the nature of their exports changed. Instead of using importsubstitution policies and then export-led policies to gain a foothold in final goods markets, they integrated their production chains into those of developed countries, frequently within the supply chains of multinational corporations (MNCs). This was the beginning of the era of global value chains (GVCs) because now, production chains spanned continents and entire regions.

³ The broadly defined CT&L sector in this context would include at least the following two digit HS chapters: 42, 52, 61, 62, 63 and 64. If the narrative does not use the abbreviation 'CT&L' then a narrower definition is used, for example only clothing and textiles (C&T) and excluding leather. This distinction is necessitated by data availability and aggregation issues across different data providers, as well as differences between trade-related sectoral classifications and those for industrial classification.

A detailed concordance, for the broad sectoral CT&L classification, between the trade classification (HS 2017) and industrytrade classification (SITC4) is given in the Appendix in Table 5. The table also highlights the leather sub-sector and its item lines from the aggregate.

⁴ These countries are South Korea, Singapore, Hong Kong and Taiwan.



In the 21st century, economic integration within regions has increased, heavily driven by digitisation and the way it allows financial systems to be integrated, strengthens communications and information flows, and creates a global marketplace via the internet. In this century, regional value chains (RVC) have grown on the back of the growth in the number of preferential trade areas and the ways they encourage cooperation, reciprocity and make markets accessible.

However, digitisation also promotes the cross-border integration of production in that it permits production management to be controlled centrally, but implemented in a decentralised way. Value chains either exist within a single entity or MNC, or within a group of entities that are connected by what the World Bank calls 'durable relationships' (World Bank, 2020). These durable relationships are necessitated the more complex and disaggregated is the production chain and the more specific the requirements of the 'lead firm' – the firm that owns the intellectual property of the product and is responsible for branding it. Were the relationships not durable, this would involve risks to entities in the value chain, especially those at the more upgraded end.

In Africa, where most exported production is primary or extractive, these issues are less important. However, if Africa is to upgrade its value chains, it needs to further digitise production processes and services. In addition, African enterprises need to develop durable relationships that go beyond supply contracts and extend to the establishment of foreign affiliates as well as merger and acquisition steps. Integration of value chains into larger, merged and digitally competent enterprises will allow scale economies to be exploited, technology to be taken up, unit costs to fall and competitiveness to improve.

The AfCFTA context

Why value chains under the AfCFTA?

The AfCFTA is the backdrop against which regional value chain (RVC) development could be promoted and extended. It appears clear then that as Africa imminently moves towards free trade and greater economic integration in a number of spheres, attention should be placed on how value chain trade could be extended and deepened among state parties. These initiatives could address:

• The reversal of deindustrialisation in Africa: defined as a secularly-declining proportion of manufacturing value-added out of total value-added. Essentially, African economies have



become more primary and services production based over the past three decades, preventing their progress in 'upgrading' their industrial activity⁵. RVCs enable a degree of specialisation not possible if countries were to establish entire industries themselves – such as, for example, happened during the industrialisation of the South East Asian countries in the previous century. That model of industrialisation is now more difficult whereas the path offered through RVCs is still attainable by African countries.

- Low levels of intra-African trade flows, which are approximately 14% of total trade by African countries⁶ (ITC Trade Map, 2022). Despite being well integrated into global value chains albeit as heavily forward-linked primary producers African countries are not well integrated with one another. There are many reasons for this, not least the low degree of complementarity of African economies. However, intra-African trade liberalisation under the AfCFTA, geographic proximity and active industrial and trade policy as well as private-public cooperation could change these patterns. Value chain relationships are well developed in economically similar countries in Europe and South East Asia, and the same potential exists among African economies. However, the role of the private sector and especially the buy-in of larger firms is crucial. This is because the most successful value chain configurations involve intra-firm, cross-border flows of value (UNCTAD, 2015). This has implications for investment and trade in services too, given that the establishment by a foreign enterprise of a commercial presence involves both aspects of cross-border commercial activity.
- Gender imbalances in enterprise ownership and leadership in African economies. By understanding the variation across sectors and sub-sectors, policy can target industrial sectors where training and capacitation aimed at female entrepreneurs and workers can assist in raising female participation and compensation rates. As will be seen, female enterprise participation and ownership could be enhanced in tandem with the promotion of high-potential value chains (see for example, Stuart, 2022).

⁵ Interestingly, the CT&L sector is one of the few African manufacturing sectors that has attracted meaningful FDI in recent years, and this has been of the type that is called 'efficiency-seeking' (Chen et al 2015). This means that foreign investors are able to access more efficient production in CT&L in Africa than in their non-African alternatives.

⁶ The intra-African trade proportion increased in the first pandemic year (2020) and then decreased in the second (2021). This figure (14.6%) is based on the last non-pandemic year's data (2019). These calculations are made on updated data sourced from ITC Trade Map (2022).



The choice of the C&T value chain

The question arises as to the choice of the CT&L sector. The AfCFTA Secretariat, in a recent report, identified certain industrial sectors and sub-sectors as potential candidates for value chain development under the AfCFTA agreement (AfCFTA Secretariat, 2021). One of the determinants of these choices were the standing tariff offer commitments at the time, others relate to actual production and trade activity in these sectors. The broad sectors included in their list were agricultural/agro-processing; clothing⁷, textiles & leather; automotive; pharmaceuticals; mobile financial services and cultural industries.

The CT&L sector is for our purposes, an aggregate, but for the purposes of value chain design it is disaggregated. The AfCFTA Secretariat report further broke down the sector's potential value chain configurations by sub-sector, tariff offers and countries or RECs as is the case. Furthermore, 'textiles & apparel' are distinguished from 'leather and leather products'. The proposed configurations are given in Table 1.

Main traded products with tariff preferences and/or high export potential	Tariff category (HS2)	Tariff preference offered by region or country	VC selected
Textiles and Apparel	61, 62, 63, 64	CEMAC, EAC, ECOWAS, Egypt	Textiles and Apparel
Cotton	52	CEMAC, EAC, ECOWAS, Egypt	Textiles and Apparel
Articles of Leather	42	CEMAC, ECOWAS, Egypt, EAC	Leather and Leather Products
Footwear	64	Egypt	Leather and Leather Products

Table 1: AfCFTA Secretariat CT&L value chain potential configurations based on AfCFTA tariff offers

Source: AfCFTA Secretariat (2021)

The justification for the development of these value chains is given as (AfCFTA Secretariat 2021: 34-35; 57-58):

• The availability of source raw materials: cotton, where production takes place in a variety of

⁷ Note that the AfCFTA report refers to 'apparel' and not 'clothing', which is of course a synonym for the former.



countries. Note though, that global demand for African textiles is increasing (AUC/OECD, 2022), which is a potential risk to an African value chain, if global demand raises the prices of raw materials.

- The considerable livestock populations that will be the source of the material for leather products.
- The potential for job creation given the labour-intensity of both sub-sectors of the industry (C&T as well as leather), and the abundance of labour supply. In addition, the C&T sub sector is well-represented in terms of female labour intensity (AfDB, 2018).

Note, however, that on account of their lack of tariff offers thus far, SADC and EAC countries have not been included in the proposed configurations. It is noteworthy that neither SADC not the EAC have flagged the CT&L sectors under their REC level industrial strategies (Briel, 2022). A useful breakdown of the extent of tariffing of C&T materials by stage of production is given in Fundira (2022), where it is noted that SADC tariffs extensively even on raw materials, and of course final goods are heavily tariffed. The AfCFTA Secretariat report notes that unless these countries/RECs come onboard, the AfCFTA value chain configuration will be denied large potential gains from the economies of scale offered by the large markets in these regions (AfCFTA Secretariat, 2021: 58).

A final observation on the choice of the CT&L value chain relates to the potential outcomes of the rules of origin (ROO) negotiations under the AfCFTA. Currently under dispute is the proposed *double transformation rule*, which requires that both the garment and the raw materials to be sourced within the trade area for preferences to be accessed. Those that are in favour of it are countries such as South Africa, that has an established CT&L industry and would be able to satisfy this rule. However, others recognise that unless there is investment into textile manufacturing capacity, the rule by itself would not support value chain development in the sector⁸. Indeed, it has been argued that the implementation of the double transformation rule in SADC is responsible for the decline of Malawi's textile sector (Ndonga, 2021).

⁸ I am grateful to Trudi Hartzenberg for this point.



If ROO in the CT&L sector are to be relatively restrictive, this could benefit existing larger players already established in GVCs but limit new players and work regressively in terms of development opportunities. Attention should then be on alternative entry points to the CT&L value chain, such as the services inputs – branding, marketing, customer services, design. Due to their skill-intensity however, these entry points to the value chain would not become available without investment into both human and physical capital.

Actual and potential value chain trade under the AfCFTA

'Potential' value chain trade is that which could be realised as a result of the liberalisation of merchandise trade under the AfCFTA, in conjunction with other continental initiatives to boost intra-African trade and encourage greater integration of production. This will involve extending and deepening existing value chains as well as upgrading current value chain production and accessing new markets for final goods in Africa and the rest of the world.

Currently, African value chains are dominated by extractive industries. Table 2 ranks Africa's most important value chains by total GVC participation (final column). As is evident, the total is dominated by mining and quarrying, which is also heavily forward-linked, meaning that other countries (most of them not in Africa), add additional value to the materials before a final product is produced. Being primarily forward-linked in your dominant GVC trade sector is not conducive to manufacturing industrialisation, the generation of high value-added production and development of technology and skills.

However, the patterns of GVC trade in mining and quarrying are not easy to reverse. The main buyer of African mining and quarrying output is China (ITC Trade Map, 2022), a global manufacturing giant with a profound cost and economies of scale advantage. Instead, a more viable approach would be to focus on industries where there is potential to establish continental trade connections and upgrade existing production. The textiles/clothing value chain, which is the primary component of our CT&L industry, is more backward-linked than forward, implying a large part of the value addition in creating a final product takes place on the continent. Unlike sectors such as 'electronic/machinery' and 'transport equipment', which rely on inputs imported from the rest of the world, the CT&L sector uses domestically-produced inputs.



Sector, including services	Backward	Forward	Backward/ Forward	GVC total participation	
Mining/quarrying	10 164	54 054	19%	64 217	
Petrochem/minerals	8 598	9 514	90%	18 112	
Metal products	4 348	9 286	47%	13 634	
Electronics/machinery	4 791	4 106	117%	8 898	
Transport	2 949	5 927	50%	8 876	
Agriculture	1 893	6 648	28%	8 541	
Textiles/clothing	4 014	2 932	137%	6 947	
Food/beverages	2 930	2 969	99%	5 899	
Finance/business	801	2 911	28%	3 712	
Wood/paper	1 368	2 189	62%	3 556	
Transport equipment	2 686	770 349%		3 457	
Hotels/restaurants	748	1 510	50%	2 257	
Wholesale trade	395	1 859	21%	2 254	
Post/telecom	437	1 274	34%	1 711	
Recycling	735	665	111%	1 399	
Other manufacturing	991	297	333%	1 288	
Education/health	432	749	58%	1 181	
Retail trade	241	668	36%	910	
Construction	358	308	116%	666	
Fishing	197	264	75%	461	
Public administration	184	128	143%	312	
Maintenance/repair	126	149	85%	275	
Private households	135	108	126%	243	
Electricity/gas/water	55	51	107%	106	
Other activities	42	12	359%	54	

Table 2: GVC participation by sector: Africa to global, ranked (2015, USDm)

Source: Author's calculations based on World Bank Figure 1Figure 2k (2020) GVC database



The intra-African value chain flows in the CT&L sector are visualised in Figure 1 and Figure 2. These two figures are variants of the Sankey chart, used to show flows between multiple nodes, here nodes can be both producers and consumers of flows. An additional property of the Sankey chart is the ability to represent an additional dimension, in this case African FTA membership⁹. The country set in both charts has also been 'top sliced' to show only the top 45 or so countries and their flows.

The REC FTA¹⁰ membership situation is summarised in Table 3, which ranks RECs according to the quantum of RVC flows. This is not exactly the same data as that used in the Sankey charts; the charts used top-sliced data whereas the table summarises the full set of data.

Table 3: Value chain trade flows: CT&L value chain, Africa to Africa flows by REC FTA, ranked (USD 000, 2017)

REC FTA	RVC Flow	Proportion
Other – no FTA	10 920	45.58%
SADC	10 775	44.97%
ECOWAS	1 517	6.33%
EAC	556	2.32%
COMESA	113	0.47%
ECCAS	77	0.32%
Total	23 958	100.00%

Source: Author's calculations based on UNCTAD-(2022) (UNCTAD-Eora GVC database)

The table data shows an interesting pattern: CT&L value chain trade in Africa is dominated by flows within the SADC FTA¹¹ and those between countries for which there is no FTA in place. The balance of

⁹ Although there are more REC memberships involved than just those shown in Figure 1 and Figure 2, only RECs which are also FTAs are shown.

¹⁰ As has been pointed out, REC membership in Africa does not equate to free trade preferences, since some RECs have not achieved free trade yet. However, membership of RECs, even without free trade preferences, still sometimes involves benefits and is able to promote trade even under WTO rules, One example would be neighbours and SADC partners Namibia and Angola. I am grateful to Trudi Hartzenberg for this point.

¹¹ It is worth noting the contribution to this aggregate that trade within the Southern African Customs Union (SACU) makes. The SACU is essentially a subset of SADC but a very significant one in terms of the extent of integration between its members. However, SACU is not recognised by the AU as a REC.



flows – in other FTAs – make up just less than 10% of the total. This implies considerable potential to expand and deepen CT&L value chain flows with the expected liberalisation under the AfCFTA¹².

An immediate observation, when comparing the data in the table with that in the charts, is that SADC trade appears to dominate the charts, whereas SADC and 'other' flows are about equally represented in the full set of data. This implies that most of the 'other' flows are small flows that did not make the cut for the top slice. This needs to be borne in mind if value chain development among liberalising countries is to be anticipated.

¹² Liberalisation of CT&L lines under the FTA is not a forgone conclusion. In some active African FTAs, CT&L trade is still tariffed even between FTA partners. For example, COMESA members Congo D.R and Ethiopia both tariff COMESA partner Mauritius' CT&L exports. See Stuart (2022:7).





Figure 1: Value chain trade flows: CT&L value chain, Africa to Africa flows by country, FTA (USD 000, 2017)

Source: Author's construction based on UNCTAD-(2022) (UNCTAD-Eora GVC database)





Figure 2: Value chain trade flows: CT&L value chain, Africa to Africa flows by country, FTA (USD 000, 2017)

Source: Author's construction based on UNCTAD-(2022) (UNCTAD-Eora GVC database)



Another insight drawn from the charts is how important certain countries are both as originators and exporters of value. South Africa exports marginally more value than it originates for other countries, but it is clear that it is a hub of value chain trade in CT&L in Africa, with multiple source countries for its value chain exports. Other hubs, albeit smaller, are Mauritius, Malawi, and Zambia. Certain countries dominate as either originator or exporter: Egypt is an important originator for CT&L in Africa and Namibia an important exporter. Finally, the charts show the importance of flows between countries such as Madagascar and Mauritius, as well as between Egypt and South Africa in the south, and Egypt and Tunisia in the north.

The second Sankey chart, more so than the first, illustrates the true extent of non-FTA trade in the sector. Almost all of Egypt's value chain trade is not under any preferences, nor is more than half of Nigeria's. However, all of Madagascar's and Zambia's above-threshold value chain trade takes place under SADC preferences. The large upper-left hand area of 'other' countries has about 60% of its flows under SADC preferences, establishing that SADC is important for larger country flows as well as smaller, in this sector. However, it also demonstrates that preferences are meaningful, suggesting that AfCFTA liberalisation could lead to real gains and support the development of this RVC sector.

Indicators of potential RVC involvement in the CT&L value chain

RVC trade not yet under preferences is an indicator of the potential to further develop value chains under a more liberalised continental trade regime. The preceding charts were only capable of showing the larger flows in the sector, for originating and exporting countries. Table 4 presents part of the same data, transformed somewhat in order to permit investigation of the situation of the smallest countries. The table has data for 51 African countries.

Column 1 of the table lists the total originating value for the country. Note that this includes value originated by the African country but exported in the ROW. For this reason, the scale of originated and exported value for a single country in the two charts (for example South Africa) will not be comparable – the Sankey charts only utilise Africa to Africa flows, not Africa to the ROW.

However, Africa to ROW flows are given in Table 4 to give an idea of an African country's participation in African value chains as against total value chain participation. This is best illustrated by the second



column, which is the ratio of a country's originated value that is exported by a fellow African country to the originated value that is exported by the ROW. In most cases, only a small fraction of a country's originating value is exported by another African country, especially among the larger originators. However, it is interesting that a country such as Malawi, which is not a large player by any means, is more integrated into African value chains than ROW value chains. Of the top 20, eight countries are part of SADC and all except Angola are above the average for African value chain participation, for that group.

Table 4: Indicators of potential RVC involvement in the CT&L value chain , ranked by originating value (USD 000, various years)

	Total Originating Value	Originator: Africa/ROW	Exporter (African value)/Originator	PCBVCI
Egypt	496 046	0.5%	0.0%	
Nigeria	143 826	1.4%	0.1%	28.27
South Africa	127 689	4.7%	4.6%	44.61
Algeria	124 137	0.7%	0.7%	
Morocco	84 645	0.6%	0.8%	
Tunisia	70 706	0.6%	2.4%	
Ethiopia	51 421	0.8%	0.1%	43.43
Madagascar	25 699	4.0%	1.5%	44.80
Zimbabwe	21 625	2.9%	0.2%	32.00
Libya	21 266	0.5%	2.2%	36.07
Kenya	19 438	6.2%	1.0%	41.33
Tanzania	18 234	6.4%	1.5%	25.69
Zambia	17 207	10.9%	3.5%	38.31
Angola	15 456	0.9%	4.5%	41.43
Côte d'Ivoire	14 323	5.0%	0.6%	37.68
Mauritius	8 887	14.4%	33.1%	38.57
Mozambique	7 033	3.2%	2.9%	40.34



	Total Originating Value	Originator: Africa/ROW	Exporter (African value)/Originator	PCBVCI
Senegal	6 981	2.5%	4.8%	50.89
Ghana	5 223	7.4%	4.1%	33.36
Sudan	4 898	2.5%	0.0%	34.00
Cameroon	4 370	5.5%	4.0%	41.70
Burkina Faso	3 628	1.5%	1.7%	44.69
South Sudan	3 377	5.8%	0.6%	
Congo, Dem. Rep.	2 954	3.4%	6.6%	
Congo, Rep.	2 891	1.3%	8.4%	
Namibia	2 642	11.7%	76.7%	36.08
Mali	2 595	6.0%	3.8%	40.78
Botswana	2 008	6.7%	28.9%	18.26
Gabon	1 903	2.3%	14.7%	
Uganda	1 778	9.7%	15.4%	36.84
Malawi	1 767	119.4%	46.7%	25.37
Eritrea	1 502	5.6%	1.4%	41.36
Guinea	1 365	3.8%	5.8%	
Chad	1 264	6.5%	1.0%	24.67
Mauritania	1 256	5.1%	18.0%	
Eswatini	1 068	5.4%	66.1%	35.00
Benin	1 059	12.0%	5.8%	38.25
Тодо	723	17.2%	48.5%	30.50
Niger	716	6.8%	85.7%	14.81
Burundi	707	7.3%	6.3%	62.50
Lesotho	615	5.7%	45.4%	29.48
Liberia	597	1.4%	30.2%	
Rwanda	510	7.9%	10.4%	34.72
Sierra Leone	437	3.2%	24.9%	20.38





	Total Originating Value	Originator: Africa/ROW	Exporter (African value)/Originator	PCBVCI
Cabo Verde	422	5.4%	14.4%	17.06
Central African Republic	283	4.3%	17.5%	
Djibouti	260	6.5%	15.7%	
Seychelles	241	6.3%	97.9%	
Gambia	134	8.7%	19.8%	41.62
São Tomé and Principe	57	7.1%	106.1%	
Somalia	52	6.6%	17.9%	
AFRICA	1 327 920	7.5%	17.9%	35.78

Source 1: Author's calculations based on UNCTAD (2022) (UNCTAD-Eora GVC database) (first three columns) as well as World Bank Enterprise Surveys (2022) (final column)

The third data column in Table 4 is the ratio of exported value to originated value; giving an idea of the country's role in exporting African-originated value (in other words this does not include imported value from the ROW). This data is thus a good proxy for 'actual intra-African value chain involvement'. It shows that certain smaller countries, such as Namibia and Eswatini, export a large proportion of the African-originating value they consume, to Africa and the ROW. Mauritius is also notable here, exporting much of the CT&L value they import from Madagascar as finished products to Africa and the ROW. Not many other countries export CT&L value in comparable levels to the extent of the CT&L value they generate. It is, however, important to note here that they may be exporters of value originating in the ROW and this would not be shown in this data.

Potential cross-border value chain involvement (PCBVCI)¹³

Besides considering the extent of RVC flows currently not under preferences as well as the extent of current value chain involvement by country, potential value chain involvement can also be assessed using microeconomic data. It is possible to quantify the potential for increased cross-border value chain involvement using data drawn from enterprise surveys (World Bank Enterprise Surveys, 2022), where

¹³ Parts of the first two definitional paragraphs of this section are drawn from Stuart (2022).



the respondents indicate the extent to which their enterprise adds value to raw and intermediate inputs, as well as the extent to which they export their products (whether final or intermediate) cross border. We name this metric the '*potential cross-border value chain involvement*' (PCBVCI) score. The metric gives a higher score to countries or sectors whose manufacturing industries add more value to inputs and simultaneously have greater export orientation. The metric is evaluated at the individual enterprise level and is therefore essentially microeconomic in nature.

On its own at the country level, PCBVCI may not be truly representative, since it is drawn from a sample of enterprises and not the entire country population. The researchers who collected the data (World Bank Enterprise Surveys, 2022) would have followed best practice in obtaining as representative samples as possible, but nevertheless the metric does not have the same aggregate meaning as say county trade or macroeconomic data. For this reason, the PCVBCI scores have the most meaning when evaluated in dimensional analysis that includes dimensions such as industrial sector, female ownership, and enterprise size.

The rightmost column of Table 4 contains PCBVCI data for as many countries in the set that it could be calculated for. The data is interesting because it does not necessarily correlate with *actual* value chain involvement. For example, Mauritius, Namibia, Malawi and Eswatini are way above average for their actual value chain involvement, but do not have impressive PCBVCI scores. On the other hand, countries such as Senegal, Burkina Faso, and Burundi score highly on PCBVCI but are not very involved in continental CT&L value chains. This indicates that there are enterprises in these latter countries that have the potential to participate further in continental PCBVCI value chains but currently lack opportunities. The AfCFTA, should it result in meaningful liberalisation in the CT&L sector, could contribute to creating opportunities for these countries. However, additional attention by policy makers to creating the right conditions for enterprises to grow, will also be necessary: trade facilitation, skills availability, digitalisation, and industrial policies such SEZs and industrial parks (on the latter, see for example, Bessette, 2022).

Gender parity considerations

The policy mix for promoting and deepening value chain development should also take cognisance of gender parity considerations specific to the sector. Although not available for every country for which



a RVC analysis was done, an appreciable set of gender data is available for most of the African countries analysed in the foregoing.

Table 5 presents some of this data: the top 16 countries ranked by their total originating value, together accounting for 95% of the CT&L value generated on the African continent. The third and fourth data columns list the aggregate percentage of female ownership and female staff proportion, respectively.

Interestingly, the CT&L sector in Africa features above average female involvement, in terms of enterprise ownership and possibly female staff proportion. The data set for female staff proportion is really too limited to draw firm conclusions, however it is clear from the data in the table that female ownership in the CT&L sector exceeds the average for all sectors for Africa. Given that this Africa total includes services sectors, this is significant. This is true for the leading countries as well as the residual of less important players, although the leading countries are marginally better represented in terms of female ownership.

Table 5:Female ownership and staff complement by GVC participation, top 16 countries ranked by originating value (various years)

	Total Originating Value	<i>Cumulative</i> Proportion of total	Female Ownership	Female fulltime staff
Egypt	496 046	37.4%		
Nigeria	143 826	48.2%	44.3%	22.0%
South Africa	127 689	57.8%	38.2%	
Algeria	124 137	67.1%		
Morocco	84 645	73.5%		
Tunisia	70 706	78.8%		
Ethiopia	51 421	82.7%	31.5%	
Madagascar	25 699	84.7%	39.7%	
Zimbabwe	21 625	86.3%	39.3%	
Libya	21 266	87.9%	29.8%	
Kenya	19 438	89.4%	26.1%	
Tanzania	18 234	90.7%	41.4%	



	Total Originating Value	<i>Cumulative</i> <i>Proportion of total</i>	Female Ownership	Female fulltime staff	
Zambia	17 207	92.0%	40.5%		
Angola	15 456	93.2%	32.1%		
Côte d'Ivoire	14 323	94.3%	43.3%		
Mauritius	8 887	94.9%	30.8%	59.4%	
Top 16 only	1 260 604		36.4%	40.7%	
All Africa, CT&L	1 327 920		35.5%	42.8%	
Balance of countries	67 316		35.1%	43.3%	
All Africa, all sectors			30.5%	28.6%	

Source: Author's calculations based on UNCTAD-(2022) (UNCTAD-Eora GVC database) (first two columns) as well as World Bank Enterprise Surveys (2022) (second two columns)

In terms of gender parity, the CT&L sector in fact exceeds any of the other manufacturing sectors in Africa. This fact is important when shaping industrial and trade policies in favour of manufacturing industrialisation that improves gender parity in enterprise ownership and will be referred to in the final section's set of policy recommendations.

Conclusions and policy recommendations

The broad clothing, textiles and leather sector has been flagged by the AfCFTA Secretariat as one of a set of priority sectors for development under the preferences and integration imperatives under the AfCFTA. Many African countries export CT&L related products but most of these exports are in relatively unprocessed form. A smaller set of African countries export semi-processed and finished CT&L products, and a minority of this quantum is exported to other African countries. It is this pattern that policy makers seek to change as the AfCFTA, and its promise of substantially liberalised trade and deeper intra-African economic integration is realised.

RVC development can help to reverse the pattern of premature deindustrialisation observed across the African continent, even in relatively industrialised countries such as South Africa. This is on account of how value chain participation allows specialisation within a production process potentially designed or engineered by specialists in a lead firm or lead country. Specialisation within production chains will also



help to overcome the pattern of low complementarity between African economies. When it comes to primary production, a lack of complementarity is not easily overcome, but advanced production can be made to be complementary by design, as countries in Europe and South East Asia demonstrate.

Data presented in this report showed that a large component (46%) of CT&L value chain trade in Africa is dominated by flows between countries for which there is no FTA in place. The balance of flows – in other FTAs – make up about 54% of the total. This implies considerable potential to expand and deepen CT&L value chain flows with the expected liberalisation under the AfCFTA. To release gains, the AfCFTA could address 'liberalisation gaps' like this in this sector and in others (such as agribusiness, where the 'gap' is in fact larger) through targeted tariff and NTB liberalisation.

The potential of this non-FTA trade will, however, not necessarily translate into actual gains unless other non-tariff barriers (NTBs) can also be overcome. When it comes to NTBs, there are both 'administered' and 'non-administered' barriers that will need to be dealt with. 'Administered' barriers are regimes such as rules of origin (ROO), technical barriers to trade (TBT) and sanitary and phyto-sanitary (SPS) requirements.

The finessing of ROO negotiated under the AfCFTA will be critical, since there are always a wide range of options for ROO – from very strict requirements (requiring value to be wholly originating) to much more liberal rules (allowing a greater percentage of non-originating value). These ROO are currently under negotiation under the AfCFTA, as is the schedule of tariff liberalisation. As was noted earlier, the CT&L sector negotiations are fraught, with some parties advocating for rules such as the doubletransformation rule, which could compromise the entry of smaller countries into the value chain. Other alternative ways for entry into the value chain, such as through participation in service inputs, are not easily achieved and require investment into physical and human capital.

'Non-administered' barriers on the other hand, are those that arise from poor efficiency and maladministration at border posts, additional requirements, additional levies and charges, and corruption. In order to tackle these, the AU has put in place an online monitoring system¹⁴ to enable traders to report and follow up on encountered trade barriers (whether administered or not).

¹⁴ <u>https://www.tradebarriers.africa/</u>



When it comes to the choice of country involvement, the 'quick wins' for further value chain development will be those that are the larger ones, such as between the continental 'hub' – South Africa – and its upstream partners Egypt, Malawi, Zambia, Madagascar, and Mauritius; and its downstream partners Namibia, Malawi, Mauritius and Eswatini. However, if value chain development is to contribute to upliftment of smaller economies with weaker value chain connections, attention will need to be paid to country value chains among smaller countries, or between smaller countries and larger ones.

The potential outcomes of the rules of origin (ROO) negotiations under the AfCFTA will have important bearing on the success of the future African CT&L value chain. The double transformation rule has been proposed, and it requires that both the garment and the raw materials are to be sourced within the trade area for preferences to be accessed. Those that are in favour of it are countries such as South Africa, that has an established CT&L industry and would be able to satisfy this rule. However, others recognise that unless there is investment into textile manufacturing capacity, the rule by itself would not support value chain development in the sector. It has also been argued that the implementation of the double transformation rule in SADC is responsible for the decline of smaller country CT&L sectors, such as Malawi's textile sector (Ndonga, 2021).

If ROO in the CT&L sector are to be relatively restrictive, this could benefit existing larger players already established in GVCs but limit new players and work regressively in terms of development opportunities. Attention should then be on alternative entry points to the CT&L value chain, such as the services inputs – branding, marketing, customer services, design. Due to their skill-intensity however, these entry points to the value chain would not become available without investment into both human and physical capital.

There is a roughly negative relationship between the magnitude of a country's total originating value and its tendency to export African-originating value. In other words, African originated value is exported by other African countries in value chains in CT&L, but mostly in small amounts. This is interesting because it means scale economies have not come into play and also possibly that these are niche or localised markets. Our recommendation would be that policy makers seek to understand why countries such as Mauritius, Namibia, Malawi and Eswatini are more involved in CT&L value chains than much



larger African exporters to the ROW, so that lessons can be learned and, if there are methods and mechanisms that can be extended to our countries and RECs, these should be taken into account. One thing that stands out is that all these countries are SADC members, where there is certainly greater intra-African value chain trade than the rest of Africa. Indeed, it was seen that South Africa is the main hub for this sector in Africa.

PCBVCI scores indicate potential but not necessarily actual CT&L value chain involvement. This indicates that there are enterprises in certain countries (such as Senegal, Burkina Faso, and Burundi) that have the potential to participate further in continental PCBVCI value chains but currently lack opportunities. The AfCFTA, should it result in meaningful liberalisation in the CT&L sector, could contribute to creating opportunities for these countries. However, additional attention by policy makers to certain areas for creating the right conditions for enterprises to grow, will also be necessary.

One such area needing attention is that of skills. Skills are an ever-present constraint in African countries, and it stands to reason that production processes will not be upgradeable if 'upgraded skills' are not available. This speaks to the need to create and improve education and training facilities and services and ensure gender parity in admissions and apprenticeships. However, skills need to be retained once developed, and this will only be effective if Africa's industrial hubs and zones are able to offer attractive living conditions for scarce skilled labour. Gender parity in the sector is admirable, being the highest - in terms of female enterprise ownership and female fulltime employment - of all the manufacturing sectors assessed in the enterprise surveys.

Digitisation is another priority area. In Africa, where most exported production is primary or extractive, value chain upgrading is imperative in the medium term. If Africa is to upgrade its value chains, it needs to further digitise production processes and services. In addition, African enterprises need to develop durable relationships that go beyond supply contracts and extend to the establishment of foreign affiliates as well as merger and acquisition steps. Integration of value chains into larger, merged and digitally competent enterprises will allow scale economies to be exploited, technology to be taken up, unit costs to fall and competitiveness to improve.

Investment and FDI considerations are also crucial. The CT&L sector is one of the few African manufacturing sectors that has attracted meaningful FDI in recent years, and this has been of the type



that is called 'efficiency-seeking' (Chen et al., 2015). This means that foreign investors are able to access more efficient production in CT&L in Africa than in their non-African alternatives. These cost and efficiency advantages can surely be leveraged towards RVCs, but will require investment and policy support at first in order to allow the industries and their cross-border linkages to be established.

The conditions under which the Asian Tigers and subsequently the second wave Asian industrialising nations upgraded their production may not occur again, but new conditions and opportunities are present. Digital tools, connectivity and artificial intelligence are important parts of a new industrial context in which African countries could find benefit. In addition to these, value chain development in the context of continental liberalisation, production process 'leading', the development and retention of skills, digitisation, and the monitoring of gender representivity can be part of a solution to permanently raising productivity and at the same time, further industrialising and developing African countries.

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Appendix

Table 6: CT&L concordance from SITC (heading) to HS 2 digit (leather sub-sector item lines shaded in orange)

Description (SITC/HS)	2 Dig	git
Articles of apparel and clothing accessories	84	
Apparel and clothing accessories; knitted or crocheted		61
Apparel and clothing accessories; not knitted or crocheted		62
Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)		42
Furskins and artificial fur; manufactures thereof		43
Headgear and parts thereof		65
Footwear	85	
Footwear; gaiters and the like; parts of such articles		64
Hides, skins and furskins, raw	21	
Furskins and artificial fur; manufactures thereof		43
Raw hides and skins (other than furskins) and leather		41
Miscellaneous manufactured articles, n.e.s.	89	
Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)		42
Feathers and down, prepared; and articles made of feather or of down; artificial flowers; articles of human hair		67
Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)	26	
Silk		50
Textiles, made up articles; sets; worn clothing and worn textile articles; rags		63
Vegetable textile fibres; paper yarn and woven fabrics of paper yarn		53
Textile yarn, fabrics, made-up articles, n.e.s., and related products	65	
Fabrics; knitted or crocheted		60
Fabrics; special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery		58



Description (SITC/HS)	2 Digit
Headgear and parts thereof	65
Silk	50
Textile fabrics; impregnated, coated, covered or laminated; textile articles of a kind suitable for industrial use	59
Textiles, made up articles; sets; worn clothing and worn textile articles; rags	63
Vegetable textile fibres; paper yarn and woven fabrics of paper yarn	53
Wadding, felt and nonwovens, special yarns; twine, cordage, ropes and cables and articles thereof	56
Travel goods, handbags and similar containers	83
Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	42

Source: Constructed by the author from data sourced from UN Statistics (2022)



Table 7: Value chain trade flows: C&T value chain, Africa to Africa flows, ranked, above threshold only (USD 000, 2017)

Originator	Exporter	Value	Exporter Region	Exporter REC	Originator REC	Common FTA
South Africa	Namibia	1912.1198	Southern Africa	SADC	SADC	SADC
South Africa	Mauritius	1594.6399	East Africa	SADC	SADC	SADC
Zambia	South Africa	1441.137	Southern Africa	SADC	SADC	SADC
Malawi	South Africa	879.2478	Southern Africa	SADC	SADC	SADC
Egypt	South Africa	822.1058	Southern Africa	SADC	COMESA	No
Madagascar	Mauritius	801.8127	East Africa	SADC	SADC	SADC
Egypt	Tunisia	748.7162	North Africa	CENSAD	COMESA	No
South Africa	Eswatini	627.3657	Southern Africa	SADC	SADC	SADC
Mauritius	South Africa	626.80534	Southern Africa	SADC	SADC	SADC
Tanzania	Malawi	507.5135	Southern Africa	SADC	EAC	SADC
South Africa	Botswana	474.4267	Southern Africa	SADC	SADC	SADC
Nigeria	Niger	466.2938	West Africa	ECOWAS	ECOWAS	ECOWAS
Algeria	Tunisia	455.953	North Africa	CENSAD	AMU	No
Nigeria	South Africa	414.6209	Southern Africa	SADC	ECOWAS	No
Egypt	Algeria	332.9809	North Africa	AMU	COMESA	No
Mauritius	Madagascar	277.75696	East Africa	SADC	SADC	SADC
Egypt	Mauritius	241.3102	East Africa	SADC	COMESA	COMESA
Kenya	Uganda	239.7689	East Africa	EAC	EAC	EAC
South Africa	Zambia	234.08768	Southern Africa	SADC	SADC	SADC
Kenya	Tanzania	223.3551	East Africa	EAC	EAC	EAC
Namibia	Angola	216.6378	Southern Africa	SADC	SADC	SADC
Ethiopia	South Africa	176.1145	Southern Africa	SADC	COMESA	No
Tanzania	South Africa	175.1372	Southern Africa	SADC	EAC	SADC
Nigeria	Algeria	168.1649	North Africa	AMU	ECOWAS	No
Morocco	Tunisia	158.1935	North Africa	CENSAD	CENSAD	CENSAD



Originator	Exporter	Value	Exporter Region	Exporter REC	Originator REC	Common FTA
Algeria	South Africa	154.579	Southern Africa	SADC	AMU	No
Egypt	Morocco	153.2923	North Africa	CENSAD	COMESA	No
South Africa	Malawi	150.39492	Southern Africa	SADC	SADC	SADC
Tunisia	Libya	143.4986	North Africa	COMESA	CENSAD	No
Ghana	Togo	142.39	West Africa	ECOWAS	ECOWAS	ECOWAS
Morocco	South Africa	142.0129	Southern Africa	SADC	CENSAD	No
Nigeria	Angola	141.1643	Southern Africa	SADC	ECOWAS	No
South Africa	Mozambique	139.58824	Southern Africa	SADC	SADC	SADC
Mozambique	South Africa	134.7115	Southern Africa	SADC	SADC	SADC
Nigeria	Ghana	129.404	West Africa	ECOWAS	ECOWAS	ECOWAS
Zimbabwe	South Africa	127.9687	Southern Africa	SADC	SADC	SADC
Côte d'Ivoire	Senegal	125.2734	West Africa	ECOWAS	ECOWAS	ECOWAS
Tanzania	Zambia	122.9382	Southern Africa	SADC	EAC	SADC
Madagascar	South Africa	117.6563	Southern Africa	SADC	SADC	SADC
Côte d'Ivoire	Cameroon	102.9416	Central Africa	ECCAS	ECOWAS	No
Kenya	South Africa	100.0164	Southern Africa	SADC	EAC	No

Source: Author's calculations based on UNCTAD (2022) (UNCTAD-Eora GVC database)