

Africa textiles and clothing trade

A REGIONAL VALUE CHAIN ANALYSIS

2017 - 2020

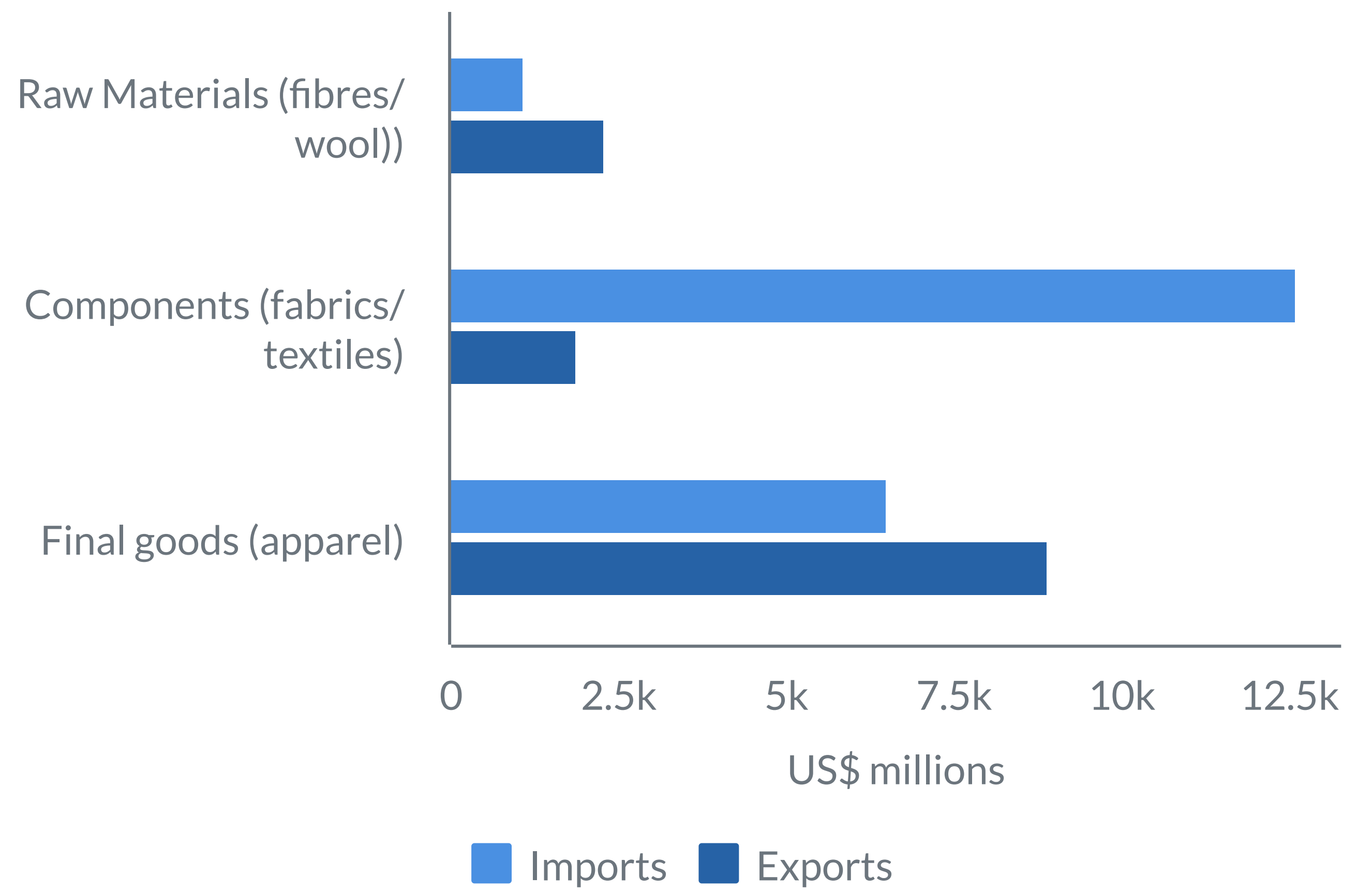
Global Africa T&C Total Trade
US\$33.3 bn
(Exports = 39% share)

Raw Materials Africa total trade
US\$3.3 bn
(Exports = 67%)

Components Africa total trade
US\$14.5 bn
(Exports = 13%)

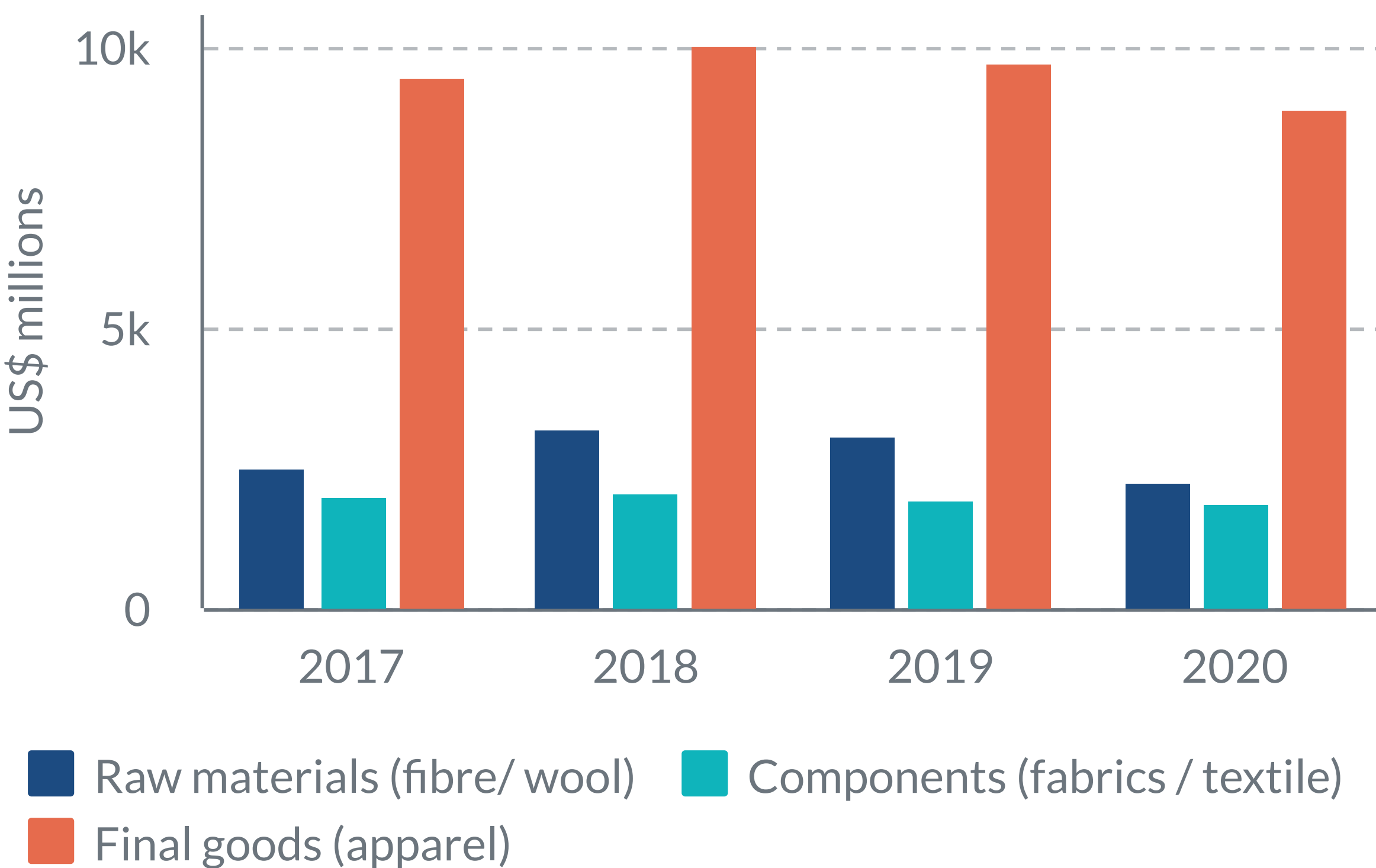
Final goods Africa total trade
US\$15.4 bn
(Exports = 58%)

Africa's global trade in T&C (2020)

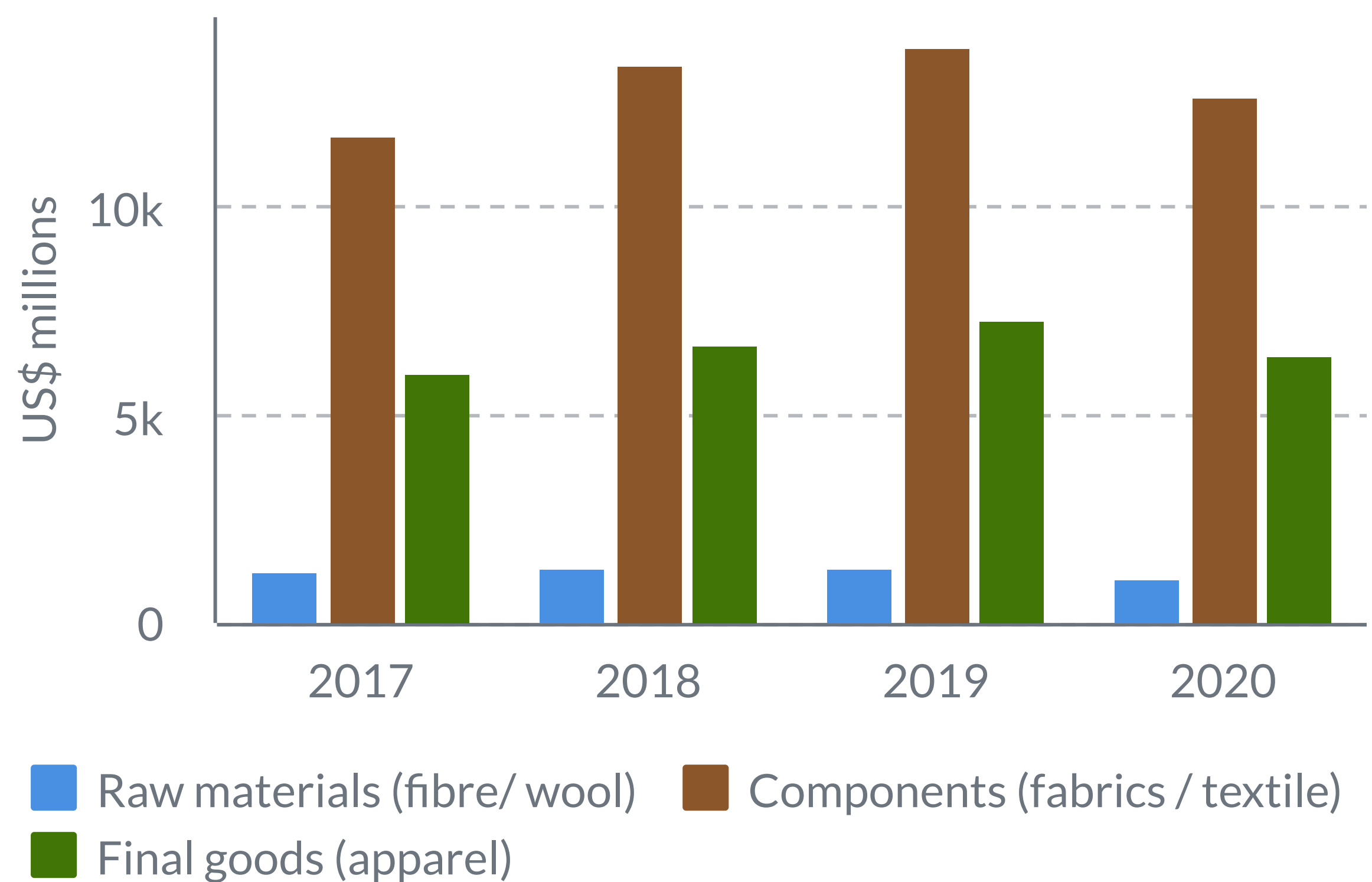


Africa's Textiles and Clothing trade performance by value chain stage (2017-2020)

Africa's Global T&C exports

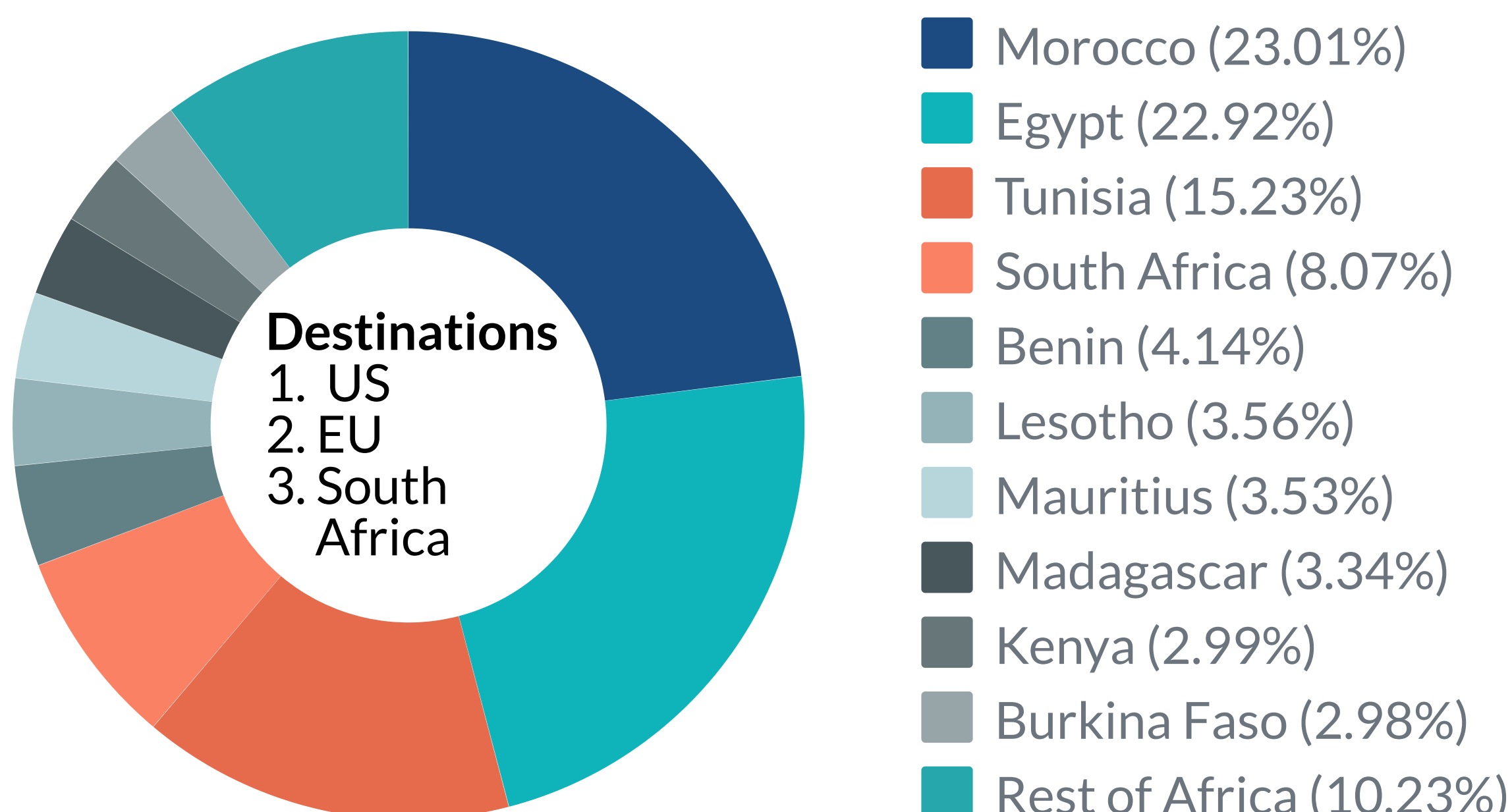


Africa's Global T&C imports

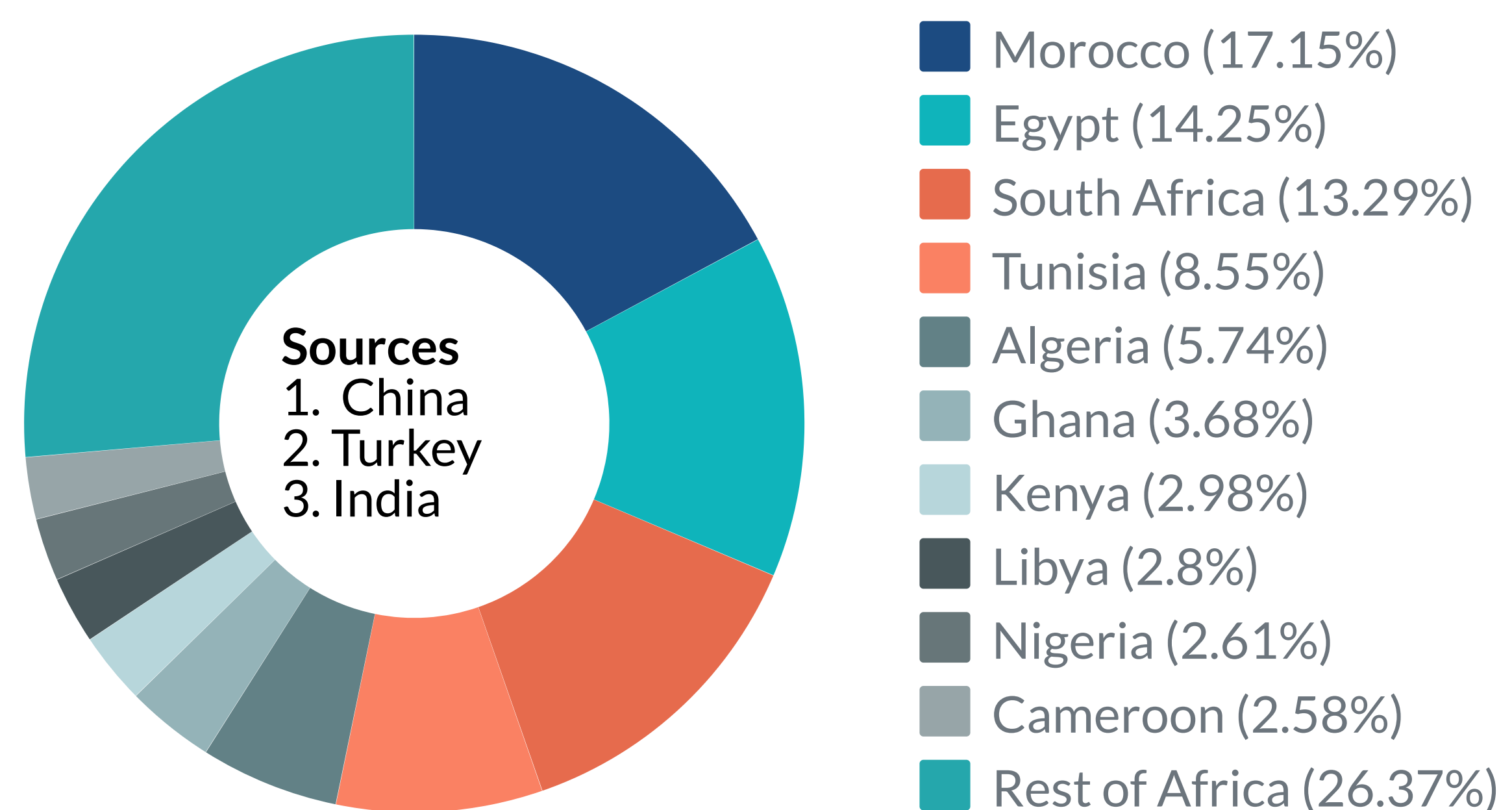


Africa's Textiles and Clothing Global Top Exporters & Importers (2020)

Africa's Top T&C exporters



Africa's Top T&C importers



Intra-Africa textiles and clothing trade

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Total intra-Africa T&C Trade
US\$2 bn

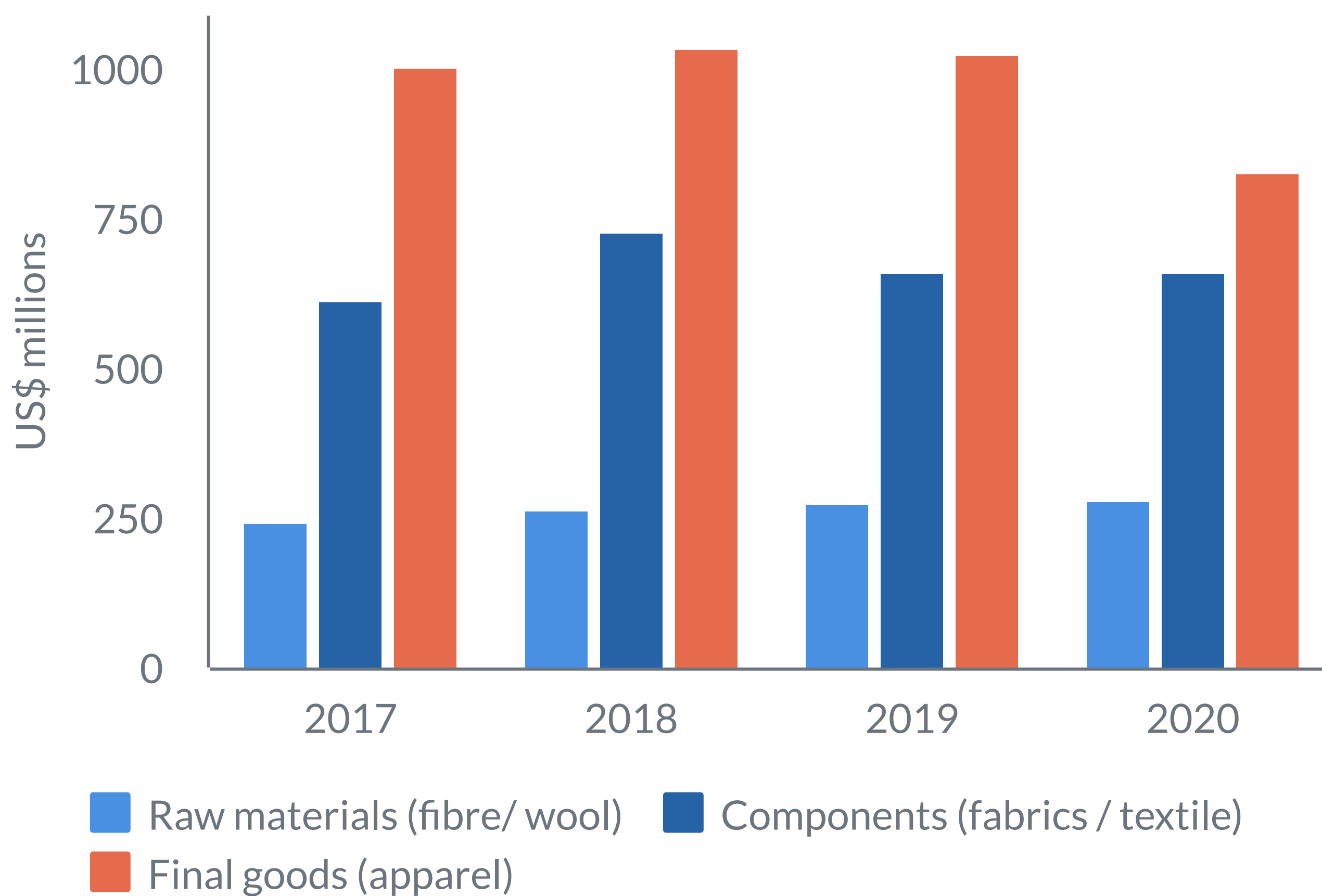
13% of total Africa T&C exports

Raw Materials intra-Africa trade
US\$280 mn
(16% of intra-Africa)

Components intra-Africa trade
US\$657 mn
(37% of intra-Africa)

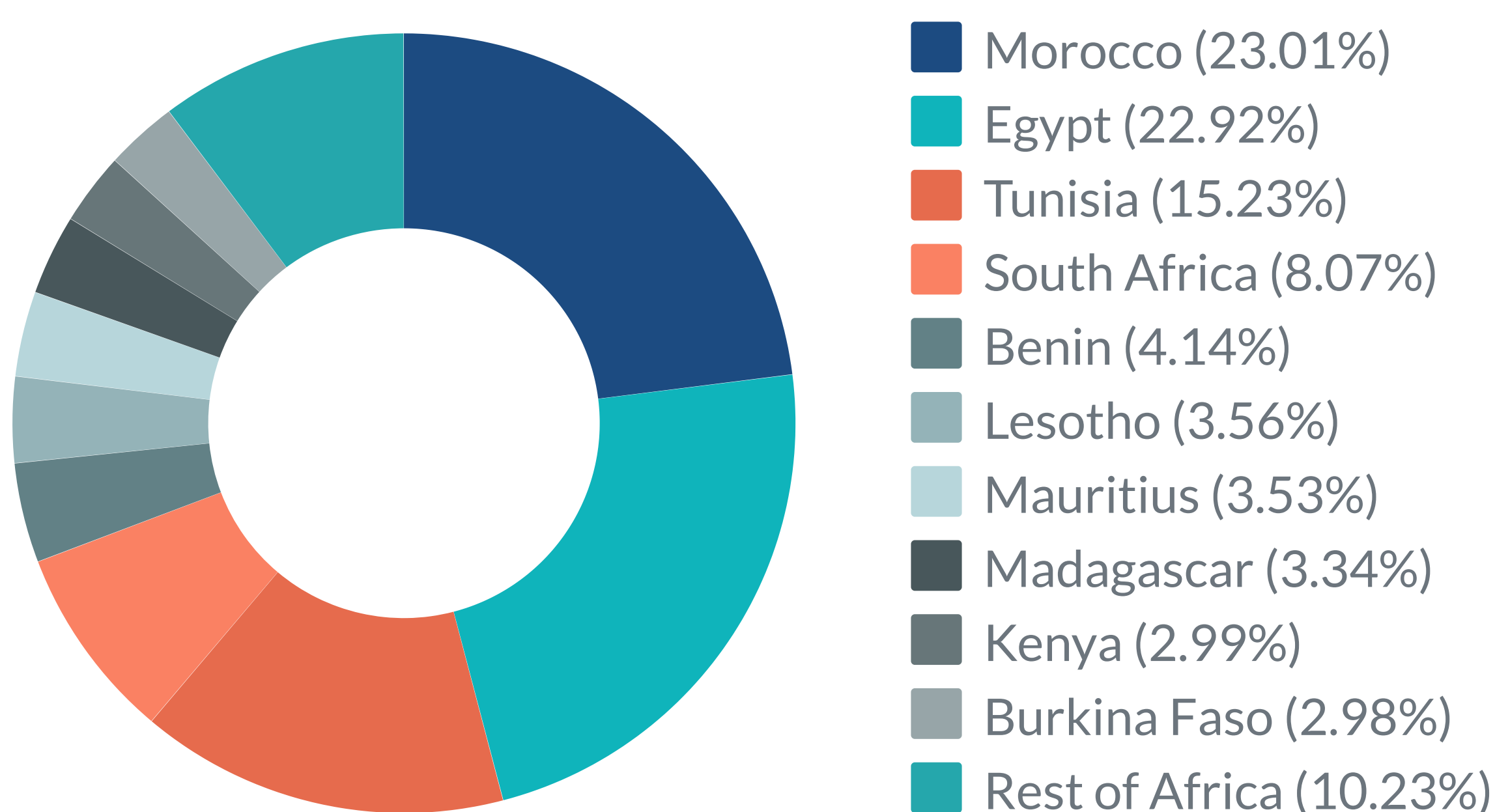
Final goods intra-Africa trade
US\$826 mn
(46% of intra-Africa)

Intra-Africa trade in T&C (2020)

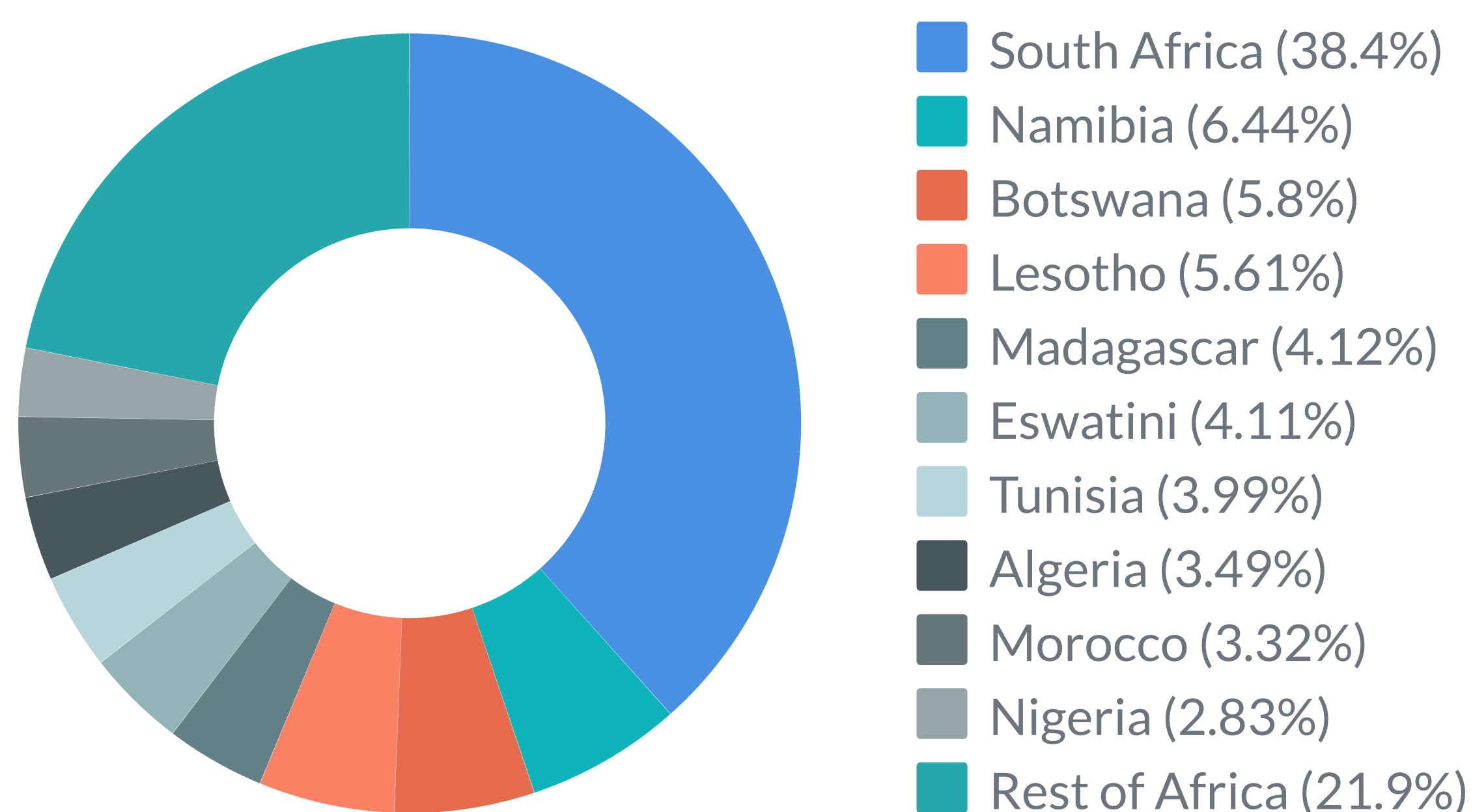


Intra- Africa Textiles and Clothing Top Exporters & Importers (2020)

Intra-Africa Top T&C exporters (2020)



Intra-Africa Top T&C importers (2020)

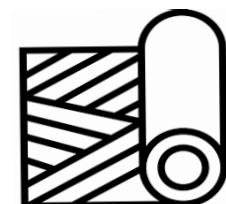


T&C MARKET ACCESS ISSUES



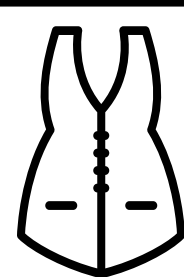
Raw Materials

- These tariff lines attract the lowest MFN tariff rates
- EAC MFN rates are duty free
- COMESA, ECOWAS, AMU, ECCAS maximum MFN in this category is 10% (AVE)
- SADC has highest maximum MFN at 14% for cotton



Components

- 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 eight RECs with COMESA having the maximum applied of 40% (AVE).



Final goods

- This is where the highest tariffs are applied with a maximum of 45% (AVE) levied on T&C final goods
- ECOWAS and ECCAS have relatively lower tariffs than the other RECs
- SADC and COMESA apply the highest tariffs and in essence the most protected markets relative to other African REC markets
- SADC/ SACU factor needs to be taken into account given that T&C is a strategic sector in SACU and therefore highly protected.

Rules of Origin AfCFTA update

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

For most clothing and fabric tariff lines The RoO have not yet been agreed upon.

1 Clothing

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

2 Fabrics

- 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.

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

Intra-Africa textiles and clothing trade

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2017 - 2020

Potential regional value chains and associated regions for development

RAW MATERIALS PRODUCERS

EAC

- Tanzania
- Uganda
- Kenya

ECOWAS

- Benin; Togo; Burkina Faso
- Mali; Ivory Coast;
- Senegal;
- Chad

SADC (SACU)

- Lesotho, Madagascar, Malawi
- Mozambique, South Africa
- Zimbabwe

- Countries listed above have the highest revealed comparative advantage (RCA) in raw materials
- All African Countries will benefit from tariff reductions for raw materials under AfCFTA
- EAC applies duty free tariffs for raw materials
- Average MFN tariffs applied by ECOWAS in the category is 7% (AVE) and maximum of 10% (AVE)
- Some members of SADC are also members of COMESA and SACU
- SADC has highest maximum MFN rate of 14%;
- COMESA maximum MFN is 10%

COMPONENTS PRODUCERS

CEN-SAD/ AMU

- Morocco
- #### COMESA
- Tunisia; Egypt

ECOWAS

- Benin;
- Togo;
- Ivory Coast;
- Niger;
- Gambia

SADC (SACU)

- Mauritius;
- Madagascar
- Lesotho; Eswatini
- South Africa

- Countries listed above have the highest revealed comparative advantage (RCA) in components
- Reducing tariffs for component will encourage forward and backward linkages across RECs.
- Up to 40% duties applicable to components COMESA, EAC, ECOWAS, SADC have tariffs ranging from 20% - 40% AVE,

FINISHED GOODS PRODUCERS

EAC

- Ethiopia
- Rwanda
- Kenya

SADC (SACU)

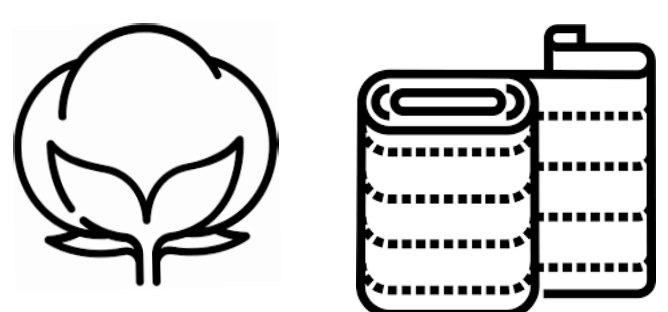
- Mauritius; Madagascar
- Lesotho, Eswatini
- South Africa

- Countries listed above have the highest revealed comparative advantage (RCA) in finished goods
- Sector highly sensitive and most protected stage in value chain
- Up to 45% duties applicable for SADC (SACU) and COMESA
- By understanding the African consumer needs, manufacturers will benefit more from intra-African trade.
- Simplified RoO under AfCFTA, key to encourage increased intra-African trade



Overseas Markets

KEY FACTORS AFFECTING AFRICAN T&C VALUE CHAIN



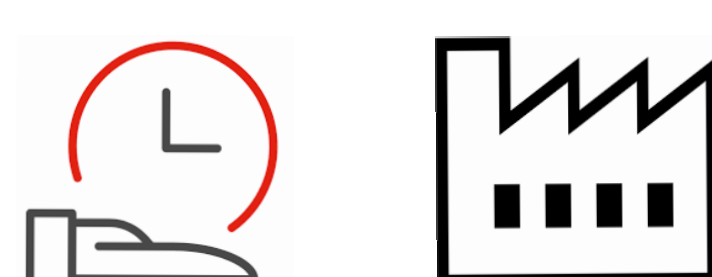
Supply capacity

- 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.



Innovation & Efficiency

- Upgrading capacity of local firms, including adopting new production techniques and technology.
- This would allow regional firms to improve quality and productivity to offset weak competitiveness stemming from relatively high labour costs.



Just-in-time manufacturing

- Speed and flexibility to market, linked to both factors highlighted 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.

Other Factors

Customs/ Border Control

- minimum customs clearance times become just as critical as labour, reliable transport networks, and materials costs

Trade facilitation

- with improvement in soft (regulatory) infrastructure and hard (physical) infrastructure; behind the border issues etc

It is possible to improve cross-border production linkages for producers in all stages of the T&C value chain. The T&C value chain is demand driven, this requires that global value chain connections be factored into policy recommendations