

AfCFTA Secretary General's Advisory Council on Trade and Industrial
Development

**Developing a Globally Competitive,
Regenerative and Vertically Integrated
Industry in Africa:
A Call for Action from the Private Sector**

AfCFTA Secretary General’s Advisory Council on Trade and Industrial Development	1
I. Summary of Challenges of the Textiles and Apparel Value Chain in Africa	3
II. Call for Action – Developing a Globally Competitive, Regenerative and Vertically- Integrated Industry.....	6
Annexes	13
Annexe 1. Current Structure of the Textiles and Apparel Global Value Chains	13
Annexe 2. Current trends shaping the Global Value Chains	16
Annexe 3. Current Level of Development of the Industry in Africa	20

I. Summary of Challenges of the Textiles and Apparel Value Chain in Africa

As private sector participants in the Textiles and Apparel industry in Africa, we have convened in working groups facilitated by the AfCFTA Secretary General's Advisory Council on Trade and Industrial Development. The objective of these working groups was to craft a private sector vision and develop a strategic plan for advancing a regional value chain from fibre to clothing within the AfCFTA framework. Following extensive deliberations within these working groups, we have reached a consensus on the key challenges confronting the industry in Africa and the strategy and policy actions required to promote Regional Value Chains:

1. **The Textiles and Apparel industry remains nascent in Africa and is at the margin of the Textiles and Apparel Global Value Chains.** The global textile and apparel industry supports a significant export market, with total global apparel exports valued at about US \$ 500 billion.¹ The largest markets for apparel are Europe, UK, North America, Japan and South Korea, which account for more than 75 per cent of total global clothing imports.² Africa has only a small share of the global industry market accounting for about 4% of total clothing exports on average between 2017 and 2019 and imports about 4% of the world market of traded textile and apparel goods. Given the lack of continental-wide data on the consumption of textiles and apparel, trade figures can be considered a proxy for the level of consumption of industry's outputs in the continent. Generally, productive capabilities in textiles and apparel in the continent are very low and are mostly concentrated in North, South, and some Eastern African countries.
2. **The structure of the industry is concentrated on both the start and the end of the value chain - fibres/raw materials and apparel, with very few capabilities in fabric and textile production.** Africa is a relatively competitive net exporter of cotton fibres as well as apparel and made-up textiles but is very weak in yarn and fabric production. Africa's textile fibre exports amounted to US \$ 3 billion, while apparel & made-up textile exports amounted to US \$ 15 billion (2019). Yarn, fabric and carpet & flooring exports were minimal. Cotton products (fibres, yarns, fabrics and clothes) accounted for just over half of all exports. West Africa produces 60% of the continent's cotton, and the vast bulk of this is exported outside the continent – constituting 5% of the world's total exports of cotton. These figures highlight the very weak capabilities in fabric and textiles production, an important part of the value chain in terms of value addition, technology, and industrialisation.
3. **The production of apparel in Africa relies heavily on imported inputs, mostly from Asia.** Most of the apparel produced in the continent uses fabrics and other materials imported from Asia. The largest part of the continent's imports are components (mostly fabric and dyes) worth US \$ 12,5 bn, followed by finished products valued at US \$ 6 bn. These figures point to the fact that the African market is heavily penetrated by imports from outside the continent, coming mainly from Asia. The rapid and extensive trade liberalisation since the late 1990s and the expiration of the

¹ Source: data compiled from ITC TradeMap

² Source: data compiled from ITC TradeMap

Multi-Fibre Arrangement (MFA) in 2005 led to a massive increase in imports to the point where they have severely weakened the potential for value addition within the region and the development of fibre to clothing regional value chains. Moreover, high inter-Regional Economic Communities tariffs have also hindered the development of African regional value chains.

4. **Africa's textiles and apparel production is heavily skewed towards cotton products.** This is especially true in yarn and fabric production, with little participation in producing and exporting artificial fibre, yarn, and fabric. This contrasts with the structure of the global industry, where cotton represents less than 25 percent of the total fibre consumed by the industry, and polyester is currently the "king fibre," representing about 54 percent of the total global consumption of fibres.
5. **Apparel exports from Africa go largely to Europe and North America, with North Africa being the largest exporter on the continent.** In North Africa, the development of the industry started in the 1980s, and most of the exports are destined to Europe. Exports from North Africa are mainly driven by Tunisia and Morocco, although over the last decade, Egypt has been catching up, reaching levels comparable to these two countries. North Africa is followed by East, Southern and West Africa respectively. East Africa exports mostly to the US, with Kenya being the main exporting country in the region. While other regions export primarily clothing to consumer markets in the West (mostly EU and US), West Africa exports mostly raw materials (i.e., cotton) to Asian markets for transformation into fabrics and apparel.
6. **High levels of import of second-hand clothing, which partially weakens domestic demand for finished clothing products, particularly in West and East Africa. Africa is, in fact, the largest importer of second-hand clothing** (accounting for around 30% of the global market). Second-hand clothing is imported mainly from the Global North. These products are not donations but are sold commercially in domestic markets and, in some countries, account for a sizeable proportion of the clothing products sold. Bundles of used clothing also include unsaleable rags, which end up choking landfills in several African cities. Africa is, in fact, the largest importer of second-hand clothing products globally, absorbing 30% of the total sold worldwide.
7. **Intra-African trade in industry is extremely low.** Only 8% of Africa's textile and apparel imports are supplied by other African producers. Though African countries have a high import demand for fabrics, intra-African suppliers are currently only able to supply 4 percent of this demand. Intra-African suppliers currently supply 6 percent of African demand for yarn imports, 13 percent of apparel & made-up textiles demand, and 20 percent of fibre demand.
8. **There are significant non-tariff barriers (NTBs) that need to be addressed and that hinder intra-African trade in the industry.** NTBs hinder the development of intra-African trade in the textile and apparel industry, which might compromise the development of the AfCFTA as a dynamic market. These NTBs include:
 - Weak customs capacity leading to prolonged clearance times, high cost and burdensome administrative procedures, which create bottlenecks that disrupt the smooth flow of trade, including within the textiles and apparel industry in the continent. This particularly can undermine the implementation of the negotiated textiles and apparel Rules of Origin under the AfCFTA.

- Lack of policy harmonization on second-hand clothing imports: different countries have varying regulations, standards, and restrictions regarding the importation and sale of used clothing. The import of second-hand clothing undermines the growth of local textile and apparel industries, which struggle to compete with the low prices of imported used garments.
 - Cumbersome RoO certification and verification processes: Cumbersome Rules of Origin (RoO) certification and verification processes act as a significant trade barrier by complicating the documentation required to prove the origin of goods. This complexity can lead to increased administrative burdens, delays, and higher compliance costs for businesses.
 - Lack of institutional capacity within customs, hindering the implementation of RoOs, particularly when these are cumbersome and complicated.
 - Lack of information on supply and production capacity of the sector in Africa: the lack of information makes it difficult for businesses to identify market opportunities, plan investments, and establish reliable supply chains. This uncertainty can deter potential trade partners and investors, thereby constraining the sector's growth and development in the continent.
9. **Additional structural weaknesses in the African industry include:**
- Underdeveloped infrastructure, including transport and logistics, which leads to high transportation costs, delays, and reduced reliability of supply chains. Another important infrastructure deficiency is energy, with many producers negatively impacted by unreliable and high-cost energy.
 - Inconsistent and uneven use of public sector purchases of uniforms, workwear, etc, to support local industries.
10. **The development of a vibrant textiles and apparel industry needs to consider the current major trends shaping the global industry and take advantage of a window of opportunities offered by these trends.** Three key factors are shaping the global value chains of textiles and apparel: sustainability, diversification outside of China and rising costs in Asia, and verticality and near-shoring:
- i. **Sustainability:** The focus on environmental sustainability is driven by the significant environmental impact of textile production, including high greenhouse gas emissions and water pollution. There is a growing shift towards sustainable practices driven by consumer preferences and regulatory requirements. Efforts are being made to reduce greenhouse gas emissions and transition to sustainable materials like organic cotton and recycled fibres. Sustainable industrial infrastructure and eco-friendly practices are becoming more common, with initiatives such as eco-industrial parks and circular economy practices gaining traction.
 - ii. **Diversification outside of China and rising costs in Asian countries:** China, traditionally a dominant player in global clothing exports, has seen a decrease in market share over the past decade. This shift has benefited countries like Bangladesh and Vietnam. Rising costs in Asian countries are prompting companies to diversify their sourcing locations. This trend presents an opportunity for African countries to attract investment and establish themselves as competitive manufacturing hubs.

- iii. **Verticality and near-shoring:** The fast fashion model, characterized by short lead times and flexible suppliers, has significantly boosted buyers' revenues but has also caused issues such as large unsold inventories, resulting in waste and decreased profit margins. Approximately 30% of apparel goods produced remain unsold, leading to global inventory costs of US\$ 210 billion in 2018. To combat this, buyers are increasingly focusing on improving their ability to anticipate consumer demand, especially through online sales and aggressive marketing strategies. The COVID-19 pandemic further disrupted the fast fashion industry, giving rise to the "ultra-fast fashion" model exemplified by brands like SheIn and Temu, with lead times of 1-2 weeks, high product turnover, and direct shipping from factory to consumer. This shift has prompted a move towards vertical integration and nearshoring in the industry, potentially concentrating global value chains around countries specializing in fabric production in the long term.

These trends in sustainability, diversification, and vertical integration present both challenges and opportunities for the textile and apparel industry in Africa. By embracing sustainable practices, leveraging emerging green technologies, and capitalizing on shifting global dynamics, the continent can position itself as a key player in the global textile and apparel market.

II. Call for Action – Developing a Globally Competitive, Regenerative and Vertically-Integrated Industry

As private sector actors operating in the Textiles and Apparel industry in Africa:

1. **We recognise the immense potential that the AfCFTA agreement provides for the development of a competitive, regenerative, and vertically integrated industry in the African continent.** With its combined GDP of US \$ 3 trillion, the AfCFTA region is the 8th largest economy in the world – following the U.S., China, Japan, Germany, the U.K., France, and India. With its 1,4 billion population, it constitutes a sizeable market that should be tapped into for the development of the textiles and apparel industry.
2. **We acknowledge the current state of the industry on the continent is characterised by severe challenges, as highlighted in the previous chapter.** These include a high level of exports of raw materials, a high dependency on imports of fabrics and accessories, a consumer demand met by a very high volume of imported second-hand clothing, low-value additions in the African economies and missed opportunities for job creation and productivity gains in our economies. Moreover, our current weaknesses highlight that we are at an early stage of the development of the industry and that success will depend on nurturing and supporting nascent firms as well as addressing distortions and anomalies in the African market that currently exist.
3. **We acknowledge that while the African market is significant in terms of population, the purchasing power remains low, as reflected in continent's small market share .** We believe, therefore, that the development of a globally competitive Textile and Apparel industry needs to tap into opportunities in more developed consumer markets while increasingly focusing on the

African consumer market, which is growing driven by demographic growth, urbanisation and steady expansion of an African middle-class.

4. **We believe that the implementation of the AfCFTA provides the opportunity to work towards structural transformation of the Textiles and Apparel value chains across the Regional Economic Communities as a step towards building an all-AfCFTA Textiles and Apparel regional value chain.** While building globally competitive industries to supply external markets deserves priority attention, equally important is claiming a larger share of the African market through the development of regional value chains. The latter will serve as a stepping stone towards global competitiveness. By producing more of the finished clothing worn by African people, by creating a textile sector, and transforming a larger part of the raw materials grown on the continent into value-added products produced on the continent, we will add significantly to the continent's efforts to move into higher value-added activities and overcome its current dependence on exports of primary commodities. Adding value within the continent will enable us to create many more decent jobs for our people as well as unleash their creative potential in design and related activities.
5. **As an aspirational target, we propose that within the next two decades, 80% of the clothing, footwear and leather finished products sold across the continent should be designed and made within the continent.** The inputs of not less than 60% of these should be textiles woven, spun, dyed and otherwise processed on the continent, drawing on sustainably produced, grown and manufactured African raw materials. This aspiration is achievable. Very conservative estimates in a forthcoming paper by researchers in the ECA and CEPPI, show that in 20 years, when the AfCFTA is fully implemented, intra-African trade in goods and services for intermediate consumption (critical for a regional value chain) in textile, wearing apparel and leather will be 44.1% higher in 2045, compared to a business-as-usual situation.
6. **We recognise that achieving this goal will require building globally competitive firms operating across all the steps in the fibre-to-apparel value chains. This will, in turn, require mobilising investments, building know-how, and transferring and upgrading technology,** which would require attracting foreign investors with experience and capacity.
7. We call policymakers on the continent to seize the window of opportunity for developing a globally competitive textile and apparel industry provided by the AfCFTA agreement and the **green transition for industrialisation**. Considering the trends in the GVCs, the current development of the industry in Africa, and the fact that no fully sustainable sourcing location currently exists, there is a window of opportunity for green industrialisation in the African continent. This could notably be done through:
 - **Maximising the green energy sources** – by incentivising solar energy use at the firm level and maximising other sources of renewable energy.

- **Building eco-industrial parks** with waste management systems and water recycling facilities (Zero Liquid Discharge) and circular economy-based production, which requires a systems approach and cannot be developed at the firm level. The continent has already developed a world-class eco-industrial park in Hawassa – Ethiopia, which could serve as a role model.
- **Maximising sustainable fibre production** – particularly by increasing certification of sustainable and organic cotton- and mastering new technologies in natural and bio-synthetic sustainable and recycled fibres. While this might be a mid-to-long-term objective, East Africa already has a competitive advantage for upscaling recycling: Kenya is one of the major importers of second-hand clothing, which can be used as a feedstock for these technologies. Development partners and other brokers could play a role in identifying fibre technology providers (whether bio-synthetic fibres or recycling fibres) that could be interested in licencing or joint-venture agreements to sell their products. Due to a lack of financial resources and concrete commitment from brands (despite their public pledges), several potential recyclers remain “cash-starved” and are unable to initiate recycling. They are looking for funding agreements, be it joint ventures or technology licensing. These types of agreements are being developed in Asia. This is obviously a high-risk venture as the technology that will dominate the future remains unknown; however, undoubtedly, it is a business that could generate a high return, with the potential for technological leapfrogging.

8. **We call for a focus on developing vertical competitive capabilities across synergetic value chains, with a special focus on building competitive and high-tech capabilities in textile production, a step in the value chain with significant value addition in our economies.**

- The current dynamics in the global value chains highlight that scale development will need to include the development of a **vertically integrated industry with strong textile capabilities**. Capabilities in textile production would need to be built to add value to the cotton produced on the continent but also to integrate the production of synthetic fibres, which dominate fibre consumption globally, and to invest in regenerative and sustainable fibres, which are becoming increasingly prominent in the Global Value Chains of the industry. Vertical integration should be maximised within eco-industrial parks (starting with the fabric level and then the raw material level), with actors from different steps in the value chain working together to offer buyers a package of capabilities. This could lead to capturing more value in GVC, altering power relations, and creating broader linkages in the domestic economy.
- Vertical integration on the continent will need to be built around **synergetic regional value chains**, considering the different countries' existing comparative and competitive advantages and their potential to develop different activities in the industry. For instance, in the Horn of Africa and East Africa, a regional value chain could be anchored around Kenya and Ethiopia for apparel production and developed capabilities in textiles production in Uganda, Tanzania and Ethiopia - considering current cotton production and current existing capabilities in this segment in both these countries. Kenya and Ethiopia have built a comparative advantage in apparel production, with the existence of dedicated industrial parks, competitive labour costs, and the existence of an industrial exporting ecosystem in Ethiopia, and a relatively high

labour productivity and the existence of a competitive industrial ecosystem in Kenya. Uganda and Tanzania could become a textiles hub, with potential investment in sustainable cotton in the region.

9. **We call on policymakers to support the industry's development through the adoption of new-generation and market-oriented industrial policies:** Industrial policies for the development of textiles and apparel should focus on seizing the window of opportunities provided by the green transition while focusing on solving the current challenges that the industry is facing to develop at scale. Some of these challenges include:
- **Energy:** The industry severely lacks vertical integration, mostly due to generally high energy costs and the unreliability of energy supply. While some countries, such as Ethiopia, have quite low energy costs, most countries in the continent have electricity tariffs over 8 cents \$ per KWh, which is a binding constraint for the development of competitive fabric production (energy constitutes about 25 per cent of the cost structure of textile mills. Moreover, the electricity supply tends to be unreliable, which can be a huge constraint, as a power cut of even a couple of seconds can lead to a half-day of textile production being thrown away.
 - **Access to sheds and industrial parks:** Access to sheds and industrial land tends to represent major issues for the development of the industry at scale in the continent. The main constraints to developing industrial parks tend to be difficulties in securing the required lands, lack of funding sources to develop parks and lack of capabilities to design and manage them. Currently, several countries, such as Benin and Togo, are working with infrastructure developers through a public-private partnership model, which could provide some lessons to other countries. We call for the development of such industrial parks, including common industrial parks across neighbouring countries.
 - **Incentives package for early-movers and investors:** investors in the industry require a package of incentives, particularly for investors moving into new locations without prior capabilities in textiles and apparel. These incentive packages should include a skills development component, considering that skills remain underdeveloped in the continent and skill training constitutes an important cost for apparel producers. This incentive package should also focus on attracting local capital to the industry to ensure learning-by-doing and local development of the industry.
 - Addressing the access to finance issue by working with African Development Finance Institutions and other financial actors willing to invest in the industry;
 - Addressing other challenges such as technology and skills development – aiming at greater coherence and effectiveness and determining the optimum location at national, REC and AfCFTA level;
 - Addressing other core infrastructure constraints, including lack of inadequate transport and communications networks;
 - Easing forex regulations that currently constitute a significant barrier to intra-African trade and, more generally, promoting a more conducive payment system.
10. **We urge policymakers to focus on attracting both domestic and foreign investment while building strong domestic linkages between local and global firms and focusing on building**

pioneer firms across the value chain. Governments in Africa should provide a clear offer to industry investors and buyers, building on regional value chains and regional collaboration and seizing the opportunity of the AfCFTA. This could include providing incentives to firms sourcing intermediate inputs from within the continent. Attracting foreign investors will be critical, mostly for the know-how and technology appropriation. However, **failure to build domestic linkages will only perpetuate a dependency cycle and will not lead to the intended industrialisation in the continent.** There is a need to work simultaneously on attracting FDIs and building partnerships with local firms and entrepreneurs. In African countries, the development of local pioneer firms at all stages of the value chain should also be a focus, notably through brokering joint ventures and partnerships between local capital and foreign know-how. These pioneer firms could focus on the current technology frontier, particularly in recycling and bio-synthetic fibres.

11. **To develop a continental vertically integrated industry, we must also focus on developing and building globally competitive African-based brands and retailers. This, in effect, means that the** focus on creating pioneer firms should be a focus across all stages of the value chain, including supporting the emergence of African-based and internationally competitive brands and retailers. While the African market is quite small today due to low purchasing power, the middle class in Africa is growing, similar to what is currently happening in China and Asia across a number of industries. No doubt we will witness a similar pattern in Africa over the next decades (i.e., a growth of the local market and emergence of Asian-based brands and retailers). A roadmap to develop a competitive industry in Africa should focus on supporting African-based brands and retailers to shift the current power dynamics in the Global Value Chains. This would require a creative and entrepreneurial approach within African governments and could be done by supporting entrepreneurial funds dedicated to the industry and other brokers in the private sector who work on matchmaking the skills and capital with local entrepreneurs across the continent, and notably leveraging the African diaspora with experience in global value chains, particularly in design, branding and marketing.
12. **We call on the AfCFTA secretariat to establish a continental information hub that provides businesses with access to reliable data on market opportunities, production capacity, and supply chain dynamics in different countries on the continent.** Our experience highlights that one of the main constraints for intra-African trade is a lack of information, reliable data and knowledge of the market opportunities and capabilities existing in different countries and sub-regions in Africa.
13. **We call for a phase-down in the import of used clothing, with its eventual limitation to imports of items that can be further transformed in a circular economy, either through reuse or recycling.** The current import of second-hand clothing should be **leveraged as an opportunity to negotiate with trading partners significant investments in recycling technologies and capabilities in the continent to seize the opportunity of green industrialisation and transform it into a competitive advantage.** We realise that the implementation of such measures requires a stronger collective voice through the auspices of the AU and the AfCFTA. This would need to form part of a broader all-African effort to enlarge the policy space available to support a “big push” to build an African

Textiles and Apparel industry. While Africa is not a customs union with a Common External Tariff applying to third parties, we call on governments of all countries, including those currently not hosting clothing industries, not to undermine the preferences AfCFTA must provide to locally produced products by reducing or maintaining ultra-low tariffs towards the rest of the world. We realise that this call for a coherent approach requires that we act in solidarity and work in unity to explicitly identify and implement measures to allow firms in smaller economies to occupy niches in Textiles and Apparel value chains. Our vision, therefore, is for the development of Textiles and Apparel value chains that are broader and more inclusive than is the case at present, and we are convinced that the larger AfCFTA market can create such an opportunity.

14. **We call for the introduction or strengthening of local content regulations covering public sector purchases of uniforms, work wear and the like.** Where a particular country does not have the capacity to produce some item on its own, we urge that a mechanism is found to give preference to its procurement from elsewhere in the AfCFTA.
15. **We urge policymakers to prioritise the establishment or enhancement of a robust African quality and standards system** that emphasizes environmental sustainability in production processes. Furthermore, we advocate for a thorough review of licensing, SPS, and TBT requirements to facilitate cost reduction and smooth passage of clothing products within the AfCFTA. Where local capacity is lacking in a specific area, we encourage the implementation of mechanisms to prioritise procurement from within the AfCFTA.
16. **We call on policymakers and governments in the continent to focus on reducing non-tariff barriers (NTBs) and structural impediments in the continent** to enable the development of regional value chains, as well as easy access to the broader African markets. These include:
 - Investing in infrastructure development to improve transportation networks, such as roads, railways, and ports, to reduce transportation costs and delays;
 - Implement a comprehensive strategy to enhance customs capacity by streamlining procedures, increasing resources for customs operations, investing in training programs, and implementing modern technology solutions like automated clearance systems. This approach will improve efficiency, reduce clearance times, and enhance the reliability of supply chains, ultimately facilitating smoother and more cost-effective trade within the textiles and apparel industry in Africa.
 - Strengthening coordination and cooperation among customs authorities within the AfCFTA to address bottlenecks and ensure smooth trade flows.
17. **We call on State Parties to minimise the exceptions to the proposed Rules-Of-Origin and streamline negotiations and implementation processes within the AfCFTA.** Registering exceptions introduces complexities and undermines the coherence and effectiveness of the RoO framework. By minimizing exceptions, member states can ensure clarity, consistency, and predictability in the application of RoO, thereby enhancing the credibility and enforceability of the

trade agreement. This approach simplifies compliance for businesses, reduces administrative burdens, and promotes a more conducive environment for trade and investment across borders.

18. **We urge policymakers to particularly focus on supporting and building capabilities of customs across the continent for a smooth implementation of the Rules-Of-Origin requirements negotiated.** These measures could include the development of digital solutions for RoO certification and verification processes to reduce paperwork, administrative burdens, and processing times, and the provision of training and guidance to businesses on RoO requirements to enhance understanding and compliance.
19. **We emphasize the importance of building state capabilities to develop more effective border management policies to combat illicit entry of products.**
20. **We urge policymakers to adopt core ILO labour standards** aiming to establish a conducive work environment that guarantees quality, decent employment opportunities for workers across the continent. This initiative aims to safeguard workers' social protection, rights, and well-being as the industry progresses and evolves.

Annexes

Annexe 1. Current Structure of the Textiles and Apparel Global Value Chains

The textiles and apparel industry represents a significant export market, with apparel products representing an export market of about 500 billion \$.³ Apparel is mostly consumed in Europe, UK, North America, Japan and South Korea, as these countries represent more than 75 per cent of total clothing imports.⁴ Currently, textile (fabric) and apparel suppliers are concentrated in Asia, with China, Bangladesh, Vietnam, Cambodia, India, and Sri Lanka among the top supplier countries (Table 1). Furthermore, Asia accounts for about 90 per cent of the world's spinning capacity⁵ and more than 66 per cent of the total clothing exports. Comparatively, the whole African continent exports about 11.2 billion \$ of clothing (HS 61 and 62)⁶, representing less than 2 per cent of the total clothing exports.⁷ The market is currently saturated in terms of supply, which means that new sourcing locations and orders come at the expense of existing firms. However, there are opportunities for African countries due to US sanctions on China (UFLA) that are leading to de-risking strategies by buyers and increasing production costs (due to rising wages) in the other major apparel producers: Vietnam, Cambodia, and Bangladesh. Thus, sourcing from Asia has become more expensive, making African countries more attractive to buyers as alternative sourcing locations.

Table 1: Top global apparel exporting countries.

	2000	2005	2010	2015	2019	2022
World	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Top 10 Asian countries	40.1%	52.4%	66.0%	67.7%	66.7%	66.7%
China	24.90%	33.80%	42.90%	37.00%	30.30%	25.90%
Bangladesh	2.50%	3.00%	5.10%	8.00%	9.70%	11.90%
Vietnam	0.90%	1.80%	3.30%	6.20%	8.10%	8.90%
Turkey	3.50%	4.80%	4.50%	4.30%	4.70%	5.20%
India	2.60%	3.60%	4.00%	4.00%	3.90%	3.70%
Cambodia	0.60%	1.00%	1.30%	2.40%	3.10%	3.30%
Indonesia	2.40%	2.10%	2.40%	2.70%	2.40%	2.50%
Pakistan	0.90%	1.00%	1.10%	1.40%	1.70%	2.20%

³ Source: data compiled from ITC TradeMap

⁴ Source: data compiled from ITC TradeMap

⁵ ITMF

⁶ HS 61 and HS 62, 2022

⁷ ITC TradeMap

Myanmar	0.40%	0.10%	0.20%	0.40%	1.50%	1.70%
Sri Lanka	1.40%	1.20%	1.20%	1.30%	1.30%	1.40%
EU15 Regional Supplier	12.10%	13.60%	11.50%	10.90%	11.80%	12.20%
CEE20	5.60%	5.50%	4.10%	3.90%	4.10%	4.00%
MENA	3.00%	3.20%	2.90%	2.70%	3.00%	3.00%
Turkey	3.50%	4.80%	4.50%	4.30%	4.70%	5.20%
US Regional Supplier	11.60%	7.90%	4.80%	4.70%	4.50%	4.80%
Central America	3.60%	3.00%	2.20%	2.40%	2.50%	2.80%
South America	5.40%	3.50%	1.90%	1.60%	1.40%	1.40%
Caribbean	1.60%	0.90%	0.40%	0.50%	0.50%	0.40%
Mexico	4.60%	2.50%	1.30%	1.10%	0.90%	0.80%

Source: UN Comtrade 2023.

The Global Value Chains (GVCs) of the industry are shaped by the following characteristics and power dynamics:

- **A relatively high level of competition in the industry:** Compared to other industries, the global fashion industry is characterised by a lower concentration among buyers, which indicates higher competition. In 2022, the top ten global buyers accounted for only 10 per cent of global market share (Maile and Staritz 2024).
- **A power dynamic skewed towards international brands and retailers - including in determining new sourcing locations -, leading to a supplier squeeze (i.e., buyers):** Apparel global supply chains are driven by apparel brands and retailers in the US, Europe and Japan, and they have immense bargaining power in setting prices because their domestic markets are still the largest markets for apparel, although China's market is growing.⁸ These buyers focus on design, branding and retail but also drive the development of new sourcing locations. For instance, buyers like Nike and Victoria's Secret were at the origin of the industry development in Bangladesh, which has become the second-largest global clothing exporter.

Global apparel buyers have come to depend on transnational first-tier suppliers from Asian countries to pioneer new, lower-cost sourcing locations in Southeast Asia, Latin America and Africa. These supplier firms in Asian countries grew in tandem with buyers during the 1980s and 1990s, building complementary assets. These transnational suppliers set up subsidiary factories in

⁸ <https://www.mckinsey.com/industries/retail/our-insights/winning-in-china-top-priorities-for-global-apparel-and-fashion-brands>

new locations at the request of buyers and with the promise of new orders. As such, these mega-suppliers compete by being able to offer a portfolio of sourcing countries to buyers. Buyers want the option to source from different locations globally to benefit from preferential market access under different trade agreements and hedge the risks of external shocks that would make it difficult to source in certain places. Thus, while these transnational first-tier suppliers are the direct investors in the industry, they mostly follow the recommendations buyers provide for developing new geographical sourcing regions.

Moreover, Buyers use their bargaining power to drive down the prices they pay suppliers as a response to intense competition in retail markets and financialisation (pressure from shareholders in publicly listed companies). Currently, demand is stagnating in mature markets, and buyers have secured high profitability (a return on capital employed of 18%) since the early 2000s. Suppliers must meet short lead times, be flexible with order changes, achieve high quality, and meet many social, safety and environmental sustainability requirements but receive stagnant or lower prices. This situation is referred to as the supplier squeeze, resulting in falling profit margins for apparel suppliers since the 2000s (Anner, 2020).

- **A value-addition skewed towards design, branding, marketing steps and textiles segment:** Value addition in the industry is mainly within the design, branding, marketing steps and the textiles segment, respectively. There is limited value capture in the apparel assembly node of apparel global supply chains due to the bargaining power of buyers, which stems from the very small number of buyers relative to the number of suppliers globally (Mahutga, 2014). Most countries that have recently succeeded in creating a large-scale textiles and apparel industry started with the labour-intensive apparel segment until reaching a market scale that allows them to enter the textiles segment – a more technology and capital-intensive segment, which requires economies of scale to be profitable and competitive. Historically, countries such as Hong Kong, Taiwan, and South Korea developed textile production first, and China developed textile capacity in parallel with building apparel production, but these trends were shaped by dynamics in the global economy in the 1950s and 1960s and active government industrial policies (Whitfield, 2023).
- **Transnational suppliers increase their revenue streams through innovation in headquarters and outsource only assembly factories in new locations:** Transnational supplier firms typically keep most functions, including fabric production or sourcing, in their headquarters and just set up assembly factories in new locations, including in African countries. They have sought to increase their revenue streams and profit margins through innovations in fabrics, offering IT services to buyers such as consumer demand forecasting and inventory management, and controlling transport logistics and warehousing in end markets. As a result, transnational firms can afford to operate at a loss or just break even in assembly plants in new sourcing locations for a certain amount of time if this is part of an overall business strategy and strengthening relations with buyers in a way that non-transnational suppliers cannot do. While labour-intensive apparel has

lower barriers to entry than textiles, these barriers can be high relative to the returns on investment for single-plant firms.⁹

Annexe 2. Current trends shaping the Global Value Chains

Currently, there are 3 main characteristics shaping and changing apparel value chains. Some of these factors may make it harder for African countries to develop globally competitive apparel and textile industries, while others may open new opportunities:

1. Sustainability
2. Diversification outside of China and rising costs in Asia
3. Verticality and near-shoring

1.1. Sustainability

Environmental sustainability is a significant focus of all actors in the industry, considering that it is estimated to be the third largest polluting industry globally, with at least 4 per cent of annual greenhouse gas (GHG) emissions and a prospect of growth of GHG emissions by more than 50 per cent by 2030 if nothing changes in terms of production processes. The industry is also responsible for 20 per cent of industrial water pollution. The industry pollutes virtually at all the steps of its value chain – from the production of raw materials to the waste it causes, with fibre and textile production being the major polluters, representing 38 and 29 per cent of total industry emissions, respectively (McKinsey, 2020).

The climate crisis is leading to a declared shift in consumer preferences, leading to ambitious commitments from buyers to reduce GHG emissions. In 2023, 65 per cent of surveyed consumers said that sustainability influenced their purchasing habits (an increase of 4 percentage points since 2019); the percentage is even higher among Gen-Zers.¹⁰ However, the popularity of super-fast fashion retailers like SheIn indicates a contradictory trend among young consumers and that stated preferences for sustainability may be virtue-signalling rather than a reality on the ground. New regulations are probably a stronger driver for sustainability standards across the value chain. These include corporate sustainability reporting in the EU, US and Japan; supply chain due diligence at the country and EU levels; and EU-level strategies for sustainable and circular textiles (i.e., Strategy for Sustainable and Circular Textiles).

As a result, the global industry actors have committed to reducing the industry's greenhouse gas (GHG) emissions by 45 per cent by 2030, and all brands have committed to the ambition of 100 per cent preferred (i.e. sustainable) materials for 2030.¹¹ Table 3 summarises the sustainability goals published by five of the top 10 global buyers with strong sustainability goals, many of which are sourced from East Africa. These sustainability goals largely relate to GHG emissions and, thus, industrial infrastructure and

1.1.1. Sustainable industrial infrastructure:

⁹ The findings of this paragraph are drawn from interview data with transnational first-tier suppliers in Hong Kong, South Korea and Sri Lanka. These findings will be published in a forthcoming paper by Lindsay Whitfield and Felix Maile.

¹⁰ "BCG - Sustainable Raw Materials will drive profitability"

¹¹ "BCG - Sustainable Raw Materials will drive profitability".

Sustainable industrial infrastructure translates into eco-industrial parks, which include specific environment-oriented services in addition to those provided by conventional industrial parks:

- Provision of environmentally friendly inputs, including renewable energy supply (ideally at the park level, but could also be at the firm) and green and environmentally compliant raw materials.
- Efficiency in water and energy management, notably through Zero Liquid Discharge industrial effluent treatment facilities in the case of the textiles industry.
- At the plant level, using green processes and green manufacturing (including little to no use or production of hazardous material, including waste).
- Adopting circular economy practices and facilitating the recycling or reuse of wastes as inputs within enterprises, a process also called industrial symbiosis.

There is some progress in building eco-industrial parks in Africa. In Ethiopia, Hawassa Industrial Park represents a flagship and world-class project on the continent, with a supply of hydropower energy and installing a Zero Liquid Discharge plant. Such features within an industrial park have become a norm in the industry.

1.1.2. Sustainable fibres

Currently, most of the industry focuses on replacing fossil-fuel-based polyester and natural and cellulosic fibres with more sustainable fibres, including recycled ones. Most international brands have announced ambitious targets for sourcing sustainable fibres. For instance, PVH announced the objective of sourcing 100 per cent sustainable (certified or organic) cotton and viscose by 2025 and 100 per cent sustainable polyester by 2030.

The trends in fibres are towards consuming more sustainable ones, including **preferred and organic cotton**, and investing in **recycled fibres and alternative natural and bio-synthetic fibres that could replace polyester**, considering that polyester is currently the “king fibre”, representing about 54 per cent of the total consumption of fibres in the industry:

- **Preferred cotton:** Cotton is the second major fibre consumed in the industry. It represents between 25 and 27 per cent of the global fibre market. While cotton is a natural fibre and is generally considered more sustainable than polyester, its cultivation can be harmful to the environment, as it is water-intensive, and most of the cotton cultivation uses potentially harmful pesticides and fertilisers. The water intensity of cotton production is particularly concerning considering the current climate crisis and its consequences on water availability. The overall trend within the industry is to consume more preferred and organic cotton. Preferred cotton includes not only organic cotton but also cotton certified by a number of initiatives.¹² While the exact definition of organic cotton can differ from one certifying entity to another, it generally means cotton is grown without chemicals, whether pesticides or fertilisers. Organic cotton production has increased over the last decade; however, it still represents a small share of global cotton

¹² This list of initiatives include: Responsible Brazilian Cotton (ABR), e3[®] Sustainable Cotton, Better Cotton Initiative (BCI), Cotton made in Africa (CmiA), Cotton made in Africa Organic (CmiA-organic), Fairtrade, Fairtrade Organic, International Sustainability & Carbon Certification (ISCC), myBMP, Organic Cotton, Recycled Cotton, REEL Cotton, Regenerative Cotton (ROC™), In-Conversion Cotton (“Transitional” in the US), EUCOTTON – Organic and the U.S. Cotton Trust Protocol.

production – at only 1.4 per cent in 2022, up from 0.7 per cent in 2011.¹³ Currently, the demand for organic cotton exceeds its supply, and about 97 per cent of the global organic cotton is produced in only eight countries, with India leading the way. Producing organic cotton requires heavy investment in certification and audit systems outside of a fundamental change in farming techniques.

- **Recycling technologies:** Currently, textiles-to-textiles recycled fibres represent less than 1 per cent of consumed fibres, but a huge amount of investment in R&D and scaling up recycling technologies is being made. Companies and technology providers in the recycling space are concentrated in Europe and North America, and those focusing solely on post-consumer textiles are probably less than 50. Most of them are relatively small companies or projects set up in the years 2010s and honing their technology in experiments and pilot plants. However, the ecosystem for textile recycling technologies is rapidly expanding, with significant investments by companies, brands, governments, and venture capital firms, and mature and scaled recycling technologies are becoming more mainstream in the industry. The presence of most of the innovation in developed countries provides a risk of further fragmentation of the value chain, as these technologies are scaling up in these countries, and the EU legislation on sustainable and circular textiles incentivise onshoring of recycling. Some top buyers, such as H&M and Inditex, signed off-take agreements to accelerate the commercialisation of these technologies or even invested in these start-ups. However, the level of commitment of brands to these technology providers remains quite low, leaving alternative fibre companies struggling to reach commercial scale and thus reducing the prices of sustainable fibres.
- **Alternative natural and bio-synthetic fibres:** Bio-synthetics are polymers made from natural and renewable resources and are currently the focus of a number of companies. Alternative natural fibres being explored are regenerative plant-based fibres such as hemp, nettle, kapok, lotus, and others, and fibres from agricultural residues such as rice straw, pineapple leaves, banana tree trunks, and sugar cane bark. Some bio-synthetic fibres are also being explored: they are created from organic, renewable materials such as plant-based polymers, agricultural waste, or recycled biomaterials and, therefore, represent a more environmentally friendly solution than fossil-fuel-based polyester. These fibres include Tencel (Lyocell) fibres, produced from sustainably sourced wood pulp, currently being sourced by a number of brands, including COS – H&M Group.

These technologies can provide leapfrogging opportunities for African countries. Keun Lee (2019) defines the technology cycle as the speed with which technologies change or become obsolete over time and the speed and frequency at which new technologies emerge. Short-cycle technologies generally offer higher opportunities for adoption in developing countries than long-cycle ones. Recycling technologies are short-cycled technologies and, therefore, can represent an interesting technology-upgrade opportunity for developing countries, including African ones. Another opportunity lies in the fact that most recyclers today are “cash-starved” because of low engagement from brands and buyers. As a result, they might have high incentives to either license their technologies or engage in joint ventures to commercialise their technology. This is particularly true for recyclers that do not have exclusivity or off-take agreements with brands. While it is impossible now to know which fibres will replace polyester in the future, it is important

¹³ Textiles Exchange annual reports

to monitor the progress in research and development and the market dynamics in alternative fibre technologies that are in the early stages of commercialisation.

1.2. Diversification outside of China and rising costs in Asian countries

Despite keeping its position as the first global clothing exporter, China's share has decreased over the last decade (see Table 1). This trend has mainly benefitted Bangladesh and Vietnam and represents a transition of China's role from a production base to an FDI- and technology- provider to neighbouring countries. Buyers' diversification away from China has been accelerated in recent years by the US-China trade war; the Uyghur forced labour crisis in the region of Xinjiang, and the supply chain disruptions during COVID-19.¹⁴ Finally, the COVID-19 crisis and the severe confinement measures in China have led to severe disruptions in the supply chain, accompanied by a surge of online shopping from consumers in the US and EU markets, which ultimately led to a considerable inventory crisis and loss.

Most US-based brands actively adopt a China+1 strategy and seek new sourcing locations. This pressured wave of diversification from China will not necessarily benefit the traditional neighbouring countries. Vietnam and Cambodia are witnessing inflationary pressures, primarily due to structural wage increases in both countries (Whitfield et al., 2021). Furthermore, the industry in Bangladesh is saturated and is also experiencing rising production costs due to pressure from workers and their unions for more significant increases in wages, which is blocked by the government due to strong state-industry ties.¹⁵

1.3. Verticality and nearshoring

The fast fashion model has mostly worked on short lead times (4 to 6 weeks maximum) and flexible suppliers. While this model has been successful in driving the buyers' revenues (+450 per cent in 20 years), it has led to buyers holding large inventories, much of which is either sold with a high discount or just wasted, producing huge levels of waste, reducing buyers' profit margins and binding their working capital. It is estimated that 30% of all apparel goods produced remain unsold, with inventory costs summing up globally to USD 210 billion in 2018 (van Elven, 2018). The primary strategy that buyers currently pursue is to improve the anticipation of consumer demand. As the consumer data that can be generated in physical stores is limited to sales numbers, lead firms have turned increasingly to online sales to anticipate consumer demand more accurately in addition to being able to pursue more aggressive online advertisement strategies.

The COVID-19 pandemic challenged buyer's traditional fast fashion model even further, with a significant increase of online sales, the rise of "ultra-fast fashion" retailer model, driven by Shein and Temu, and the COVID-19 measures adopted in China that led to huge disruptions within the value chain. The "ultra-fast fashion" model is based on lead times of 1-2 weeks with more than 4500 new products per week and small batch orders, and higher inventory efficiency through the usage of advanced forecasting and real-time sharing with suppliers. In this model, orders are sent directly from the factory to the consumer.

¹⁴ The US-China trade war, which started in 2018, has led to a significant increase in tariffs, higher inventory (days of supply) and lower profitability for U.S. firms with direct suppliers in China.¹⁴ The Uyghur forced labour taking place in Xinjiang, which accounts for about 20 per cent of global cotton production, led to the implementation of the Uyghur Forced Labor Prevention Act (UFLPA) in 2022, impacting all US-based buyers and leading a huge concern within the industry of cotton contamination from Xinjiang.

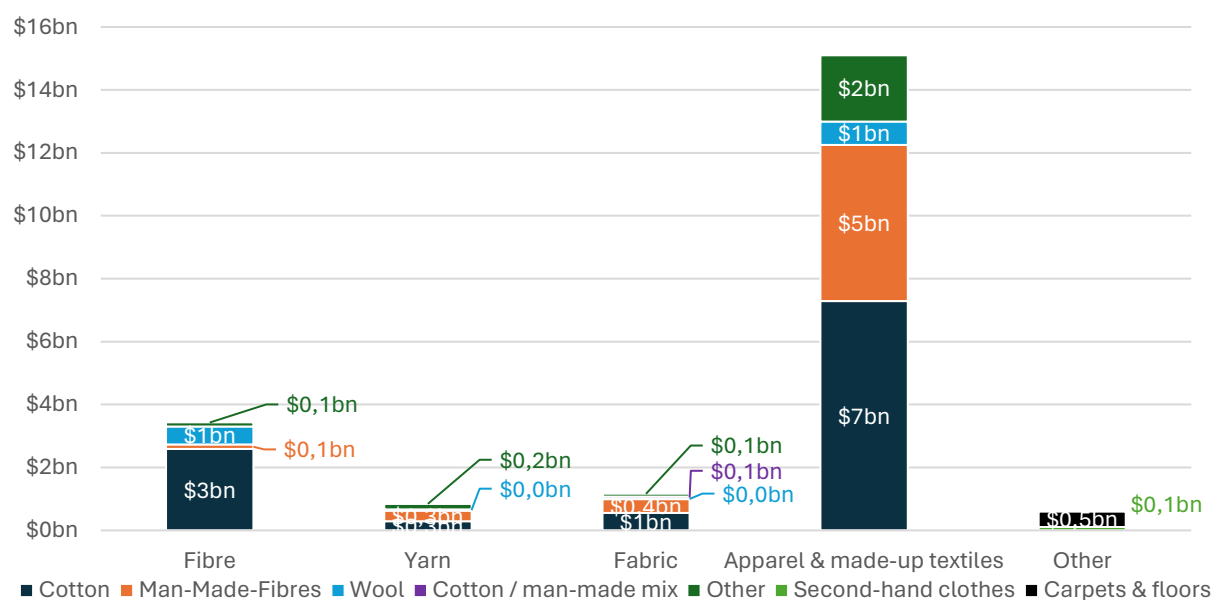
¹⁵ <https://sourcingjournal.com/topics/thought-leadership/bangladesh-minimum-wage-protests-clean-clothes-campaign-human-rights-watch-466440/>

These pressures from inventory and new ultra-fast fashion competitors have accelerated the trend of verticality and nearshoring in the industry. Verticality means that one country or region produces the whole value chain, which could lead in the mid-to long-run to the GVCs concentrating further around countries producing fabrics.

Annexe 3. Current Level of Development of the Industry in Africa

Africa remains currently at the margin of the T&A GVCs. The total size of the African trade market in textile and apparel products was \$33 billion, on average, annually between 2017 and 2019. This amounts to about 4.2% of the world market of traded textile and apparel goods. All African exports of textile and apparel products amounted to \$21.1 billion, on average annually between 2017 and 2019. African exports are the largest at both the start and the end of the value chain (fibres/raw materials and apparel).. Africa's textile fibre exports amounted to \$3 billion, while apparel & made-up textile exports amounted to \$15 billion. Yarn, fabric and carpet & flooring exports were relatively minimal. Cotton products (fibres, yarns, fabrics and clothes) accounted for just over half of all exports. Africa's fabric and apparel production is biased towards cotton, especially in yarn and fabric production, with little participation in producing and exporting man-made fibre, yarn and fabric.

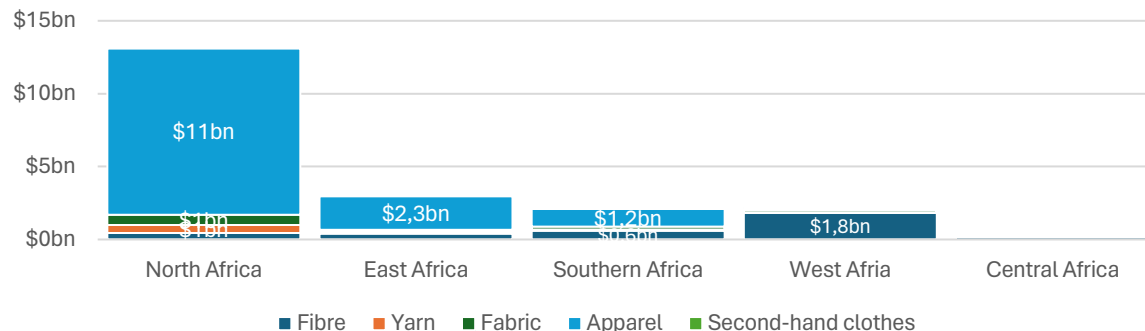
Figure 1. Africa's total exports, by value-chain segment and fibre type, average 2017-2019



Source: data compiled by Jamie MacLeod, based on CEPII-BACI reconciled trade flows. Notes: Apparel products here include made-up textiles.

North Africa - the largest sector exporter on the continent - started investing in the industry in the 1980s, and most of its exports are focused on Europe. The industry in the region was driven mainly by Tunisia and Morocco, and over the last decade, Egypt has been catching up, reaching levels comparable to these two countries. Apparel exports from Africa go largely to Europe and North America. North Africa is followed by East, Southern and West Africa respectively. While other regions export primarily clothing to consumer markets, West Africa exports mostly raw materials (i.e., cotton) to Asian markets.

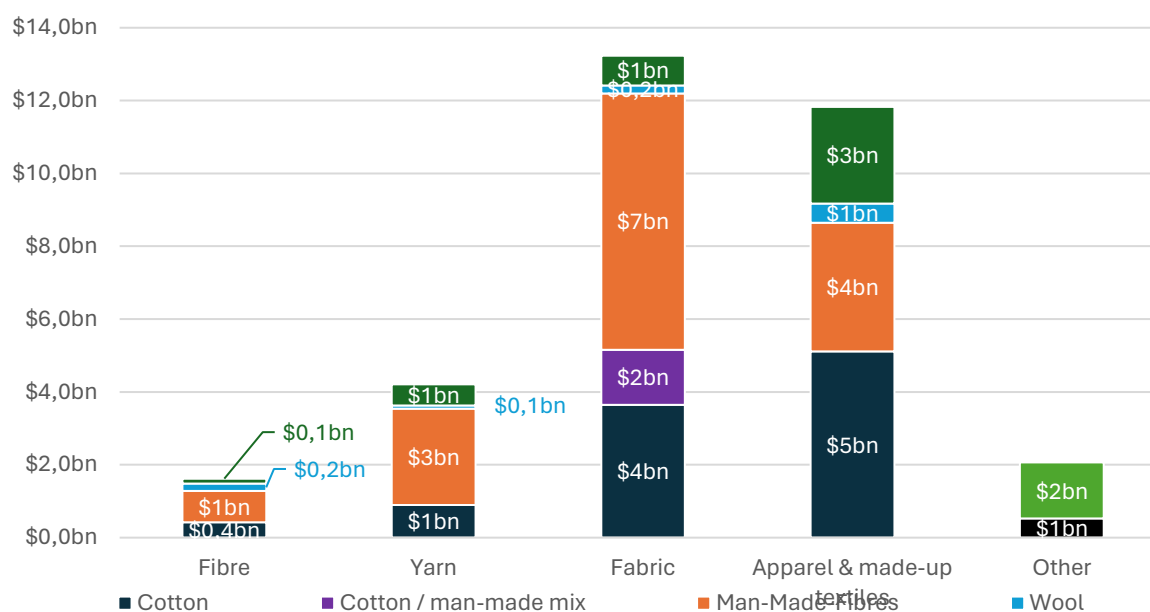
Figure 2. Africa's textile and apparel exports, by region and value-chain segment, average 2017-2019



Source: based on CEPII-BACI reconciled trade flows. Notes: Apparel products here include made-up textiles.

Compared to the rest of the world, Africa's imports are largely skewed towards fabrics, with relatively small shares of imports of finished apparel & made-up textiles. This reflects the current lack of capabilities in textile production and the relatively low consumption of final goods due to low purchasing power on the continent. Most of the fabric imports are consumed by existing export-oriented apparel capabilities in the continent. The imports of second-hand clothing represent about 2 billion \$ on an annual average between 2017 and 2019, with Ghana and Kenya being the two main importing countries.

Figure 3. African textile and apparel imports, by business segment and fibre, average 2017-2019

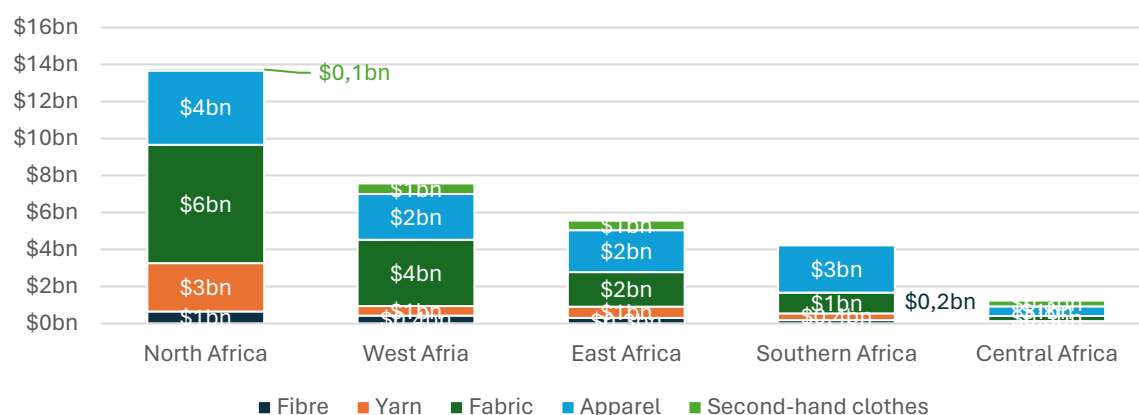


Source: based on CEPII-BACI reconciled trade flows

While North Africa is much more advanced than other regions in the continent regarding exports, the region has the same weakness regarding the absence of verticality. Most of the fabric used in the apparel production is imported (Figure 4), mainly from Turkey, China and European countries such as Italy,

Germany, France, Spain and Portugal. This is despite the industry being developed for at least 3 decades in countries like Morocco and Tunisia. It is worth noting that Morocco is currently witnessing a crisis in its knitwear segment, notably due to a previously high dependence on a single buyer (Decathlon) that decided to reduce its orders from Morocco and diversify to other countries in the continent, including Egypt and Ethiopia.

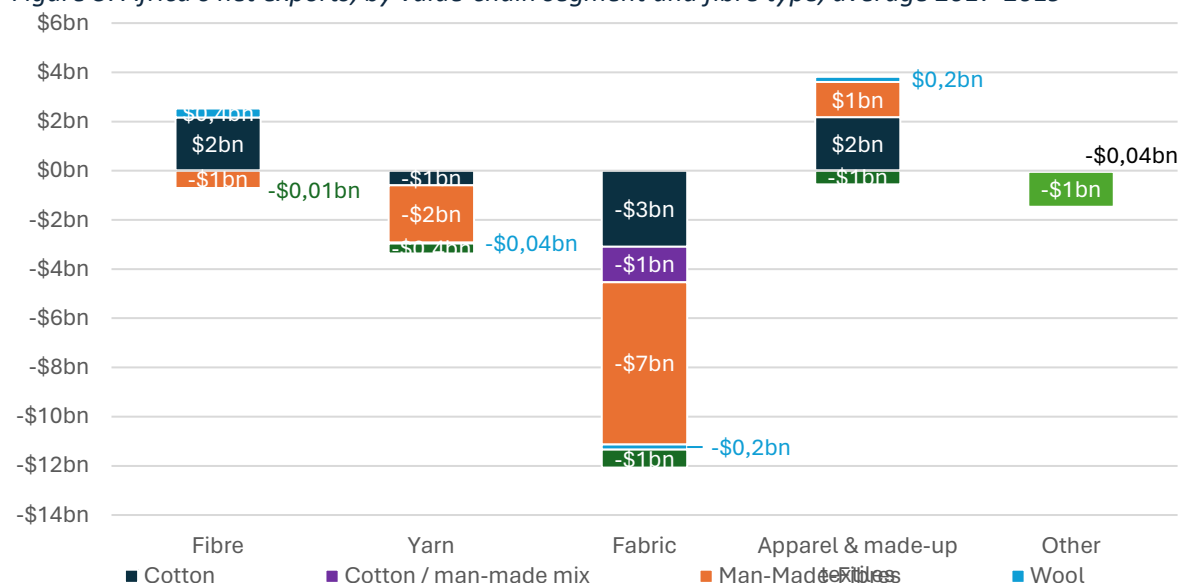
Figure 4: Africa's textile and apparel import market, by sub-region, average 2017-2019



Source: based on CEPII-BACI reconciled trade flows. Notes: Apparel products here include made-up textiles.

More broadly, the continent's activities in the industry are focused on raw materials and finished apparels, with very limited capabilities in textiles production (yarn and fabric). Africa is a relatively competitive net exporter of cotton fibres and apparel and made-up textiles, but weak in yarn and fabric production. This is similar to the industry structure of countries like Viet Nam, Cambodia which export finished goods but rely on large volumes of imported fabrics and yarns, while a country like Bangladesh has achieved important levels of backward integration in the industry.

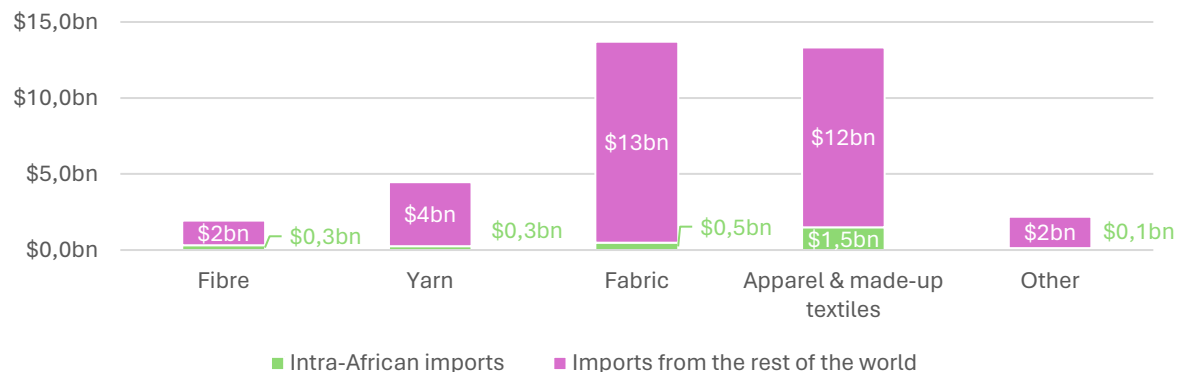
Figure 5. Africa's net exports, by value-chain segment and fibre type, average 2017-2019



Source: based on CEPII-BACI reconciled trade flows. Notes: Apparel products here include made-up textiles.

Only 4 percent of Africa's fabrics and 6% of Africa's **year** imports are supplied by other African suppliers. Intra-African trade is strongest for apparel and made-up textiles, which account for 55% of all intra-African trade in the textile and apparel sector. Southern Africa, especially South Africa, is the largest supplier of intra-African apparel imports. Inputs and intermediate textile products account for a significant share of intra-African textile and apparel imports in Southern, East and North Africa. Notably, trade in clothes and home textiles increased under the free trade area in the Southern African Development Community, but trade in fibre, yarn and fabric did not significantly change. Overall, intra-African sources still account for a small share of these countries' overall supplies of imported inputs, which indicates a substantial untapped potential intra-Africa trade and regional value chains.

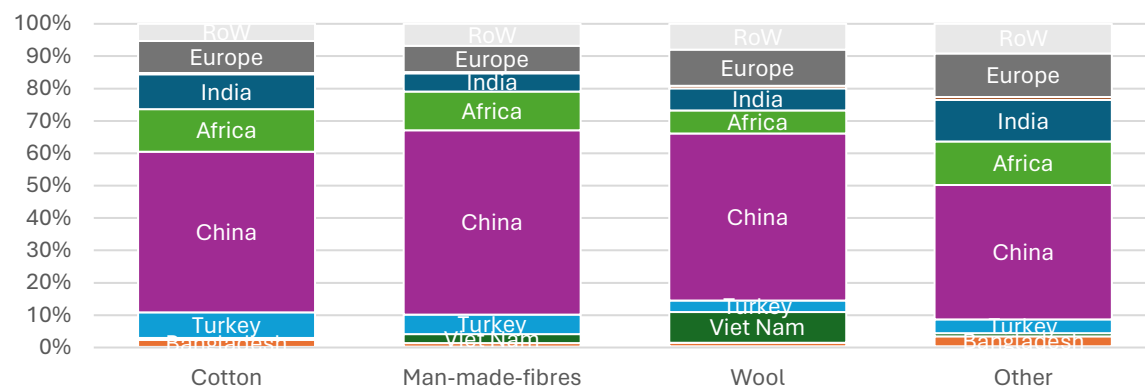
Figure 6. Share of Africa's textile and apparel import markets supplied by African exporters, by value-chain segment, average 2017-2019



Source: based on CEPII-BACI reconciled trade flows. Notes: Apparel products here include made-up textiles.

African countries import most of their finished textiles and apparel from China. China supplies 50% of all apparel and made-up textile imports into Africa. Intra-African trade accounts for 13% of finished textile and apparel imports within the continent.

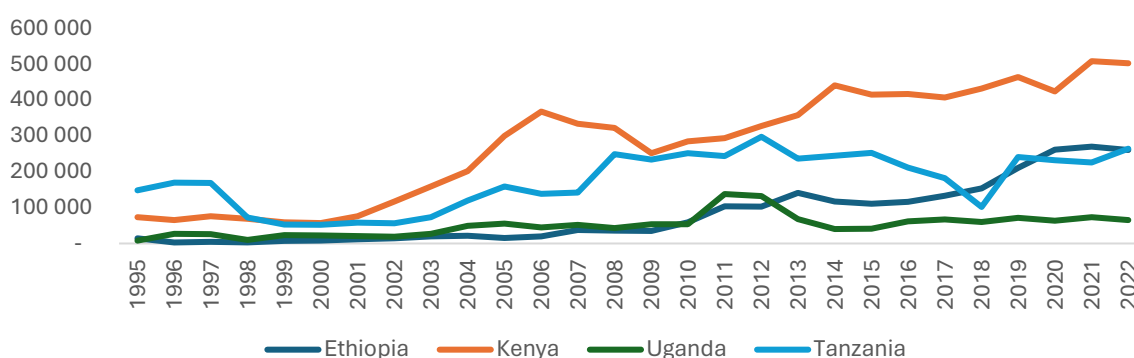
Figure 7. Africa' apparel & made-up textile imports, by fibre type, average 2017-2019



Source: based on CEPII-BACI reconciled trade flows. Notes: Apparel products here include made-up textiles.

In East Africa, the industry is driven mostly by Kenya and Ethiopia. As shown in Figure 8, the leading country in the region is Kenya, which currently exports more than 500 million USD of textiles and apparel¹⁶, mainly to the US – representing about 74 per cent of the country's total exports. Textiles and apparel products represent a majority of Kenyan's exports to the US (about 60 per cent). The industry structure in Ethiopia and Kenya is quite similar, with most of the exports being apparel to the US market. In Tanzania and Uganda, the industry mainly focuses on cotton production, with some fabric exports - primarily within the region.

Figure 8: Evolution of exports of Textiles and Apparel in Ethiopia, Kenya, Uganda and Tanzania



Source: UNCOMTRADE

In Southern Africa, South Africa is the leading country in terms of production and exports, with Lesotho and Madagascar being important players. The South African industry is similar in patterns to the North African one, with low spinning capacity, with just two firms that sell yarn, and the weaving segment is also very small and not geared towards fashion. Capacity in knitting is higher, but the production remains quite small and produces low-quality fabric. Dyeing capacity is also an issue, as many knit and woven mills do not have their own dyeing facilities, and there are only a few standalone dyehouses.

West Africa produces about 65 per cent of Africa's cotton but accounts for the bulk of its exports outside the continent, accounting for about 5 per cent of the world's cotton production and about 15% of world exportation. West African countries have little modern production capabilities in spinning, weaving, knitting or dyeing. A significant portion of the population in West Africa buys wax print cloth and has their clothes tailor-made. The majority of the greige fabric used by the wax printing companies in the region is imported from Asia. West Africa is currently working on developing its industry, with Benin and Togo being the frontrunners today in terms of industrial policy and government commitment. Governments in the region are notably working on developing textile mills, focusing on the transformation of cotton produced there.

¹⁶ Source: UNCOMTRADE - Textile fibres, yarn, fabrics and clothing (SITC 26 + 65 + 84)