



Breaking in and Staying in

African Apparel Producers and Global Markets

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Outline

1. Introduction
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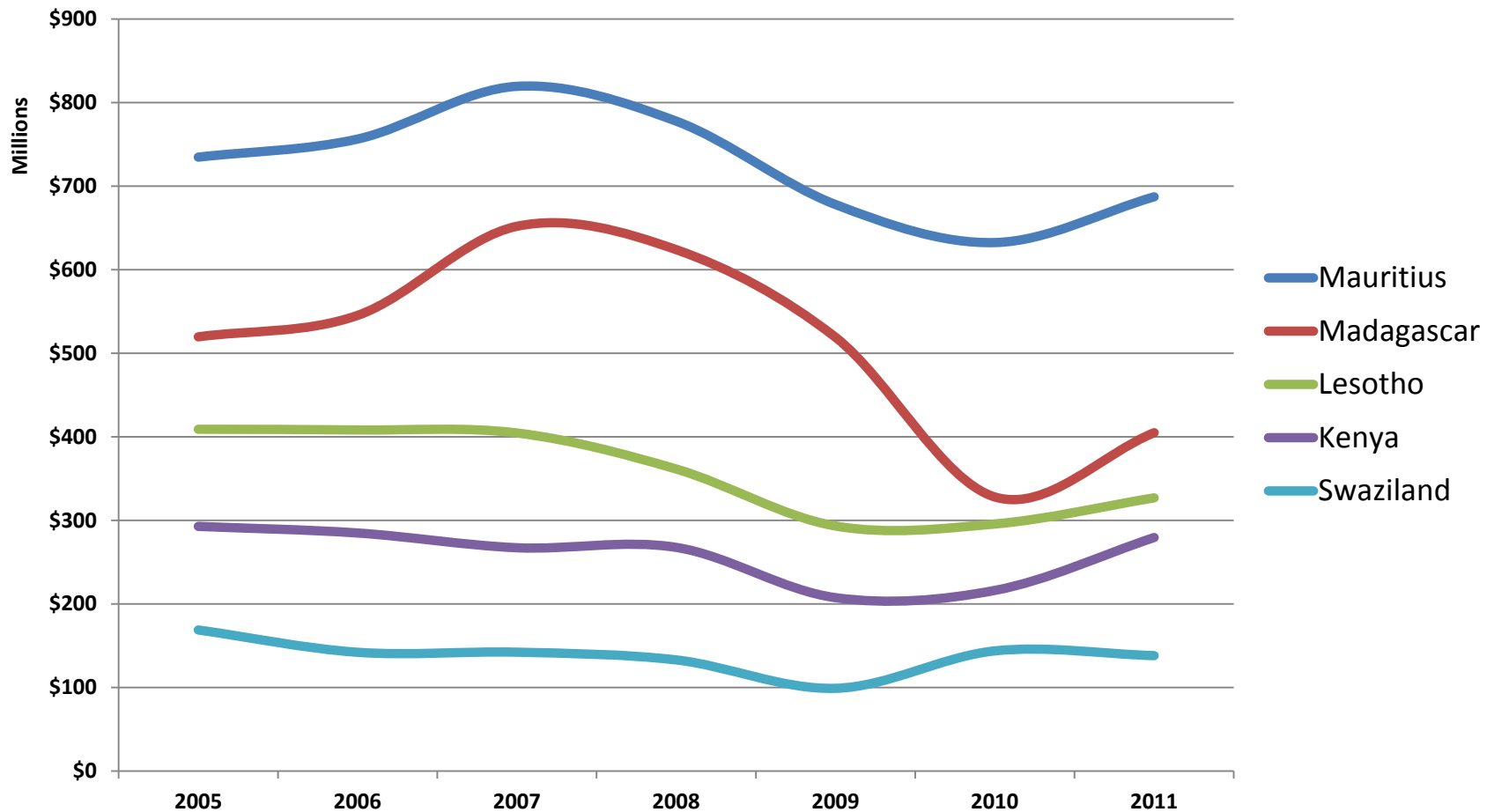


Introduction

1. Breaking in and staying in:
 - Africa's post-MFA experience of Global Apparel Trade
2. Theoretical perspectives
3. Methodology



Staying in: Country experiences 2005-2011



Theoretical Perspectives

Three bodies of theory informed the study:

1. Trade theory, especially new trade theory
 2. Global value chains
 3. Institutional approaches
- => Five possible explanations for differences in country performance

Possible Explanations for Differences in Country Performance

1. Favourable industrialisation and trade policies
2. Differing local resources
3. Differences in market destinations
4. Differences in industrial and product specialisation
5. Innovation

Methodology

Primary data

- Coverage:
 - Original study included seven countries;
 - This paper covers five of these: Kenya(16), Lesotho (19), Madagascar (18), Mauritius (20), and Swaziland (6)
 - Represents approximately 37% of population
- Unit of analysis was the firm
- Data collection: Structured survey and selected case studies
- Data analysis:
 - Quantitative analysis of firm level data
 - Qualitative analysis of case study data

Secondary data

- UN COMTRADE data used to generate country level trade graphs and tables

Apparel Firms in Five African Countries

1. Firm size
2. Firm establishment and ownership
3. Country and product specialisation
4. Markets and competitors
5. Local resources

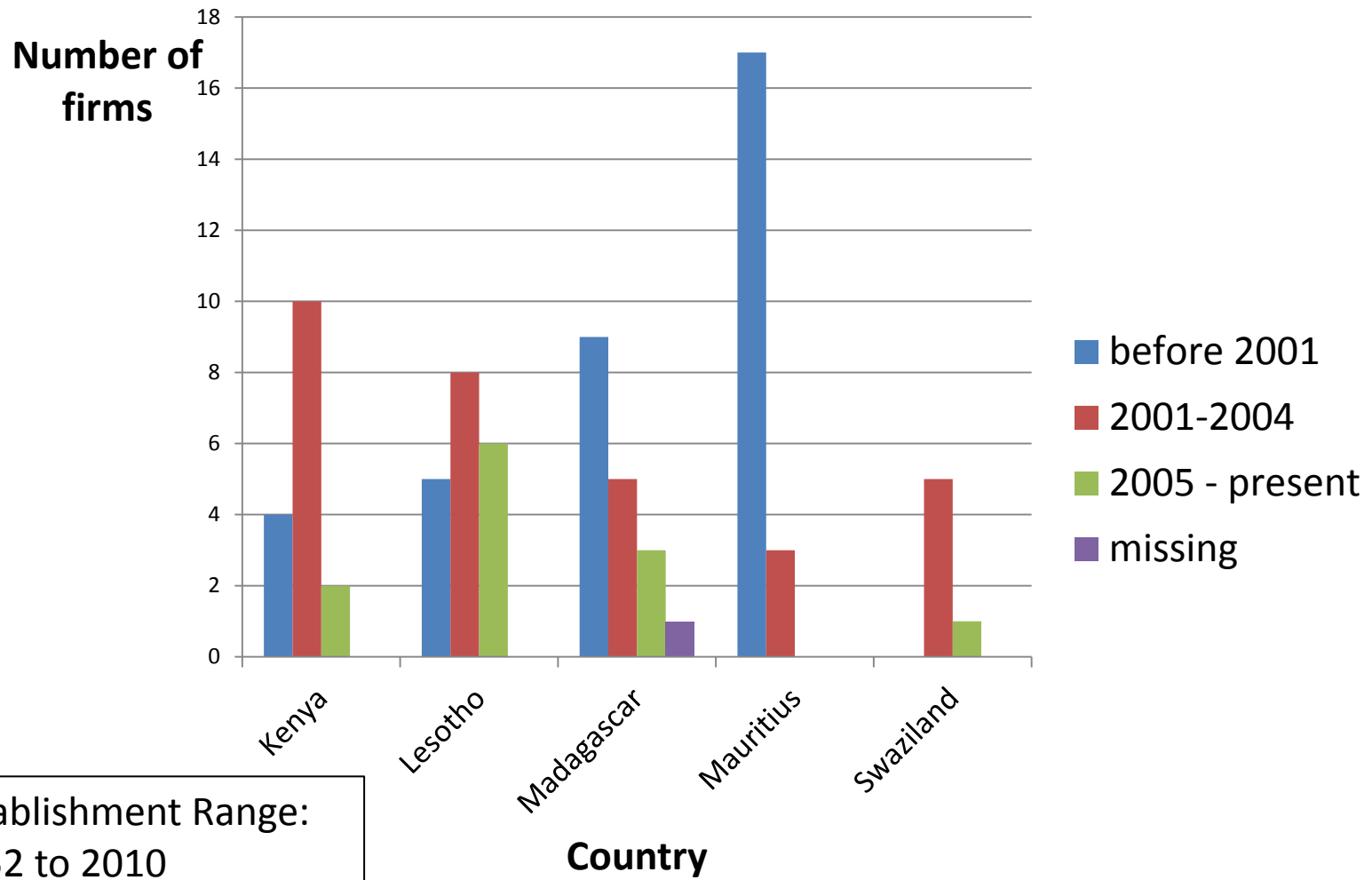
Firm Size

Table 1: Employment Size by Country

Employees	Kenya	Lesotho	Madagascar	Mauritius	Swaziland	Total
Less than 100	1	0	0	1	0	2
100-499	5	9	5	11	2	32
500-999	3	2	5	2	3	15
1000-2999	6	6	7	4	1	21
Over 3000	1	1	1	1	0	4
missing	0	1	0	1	0	2
Total Firms	16	19	18	20	6	79

Source: Field data, 2011

Period of Firm Establishment



Firm Ownership

Overall distribution:

Foreign owned	62%
Joint ownership	10%
Local ownership	28%

Local ownership:

Mauritius	85%
Lesotho	5%

Industrial Specialisation - Country

Specialisation in apparel:

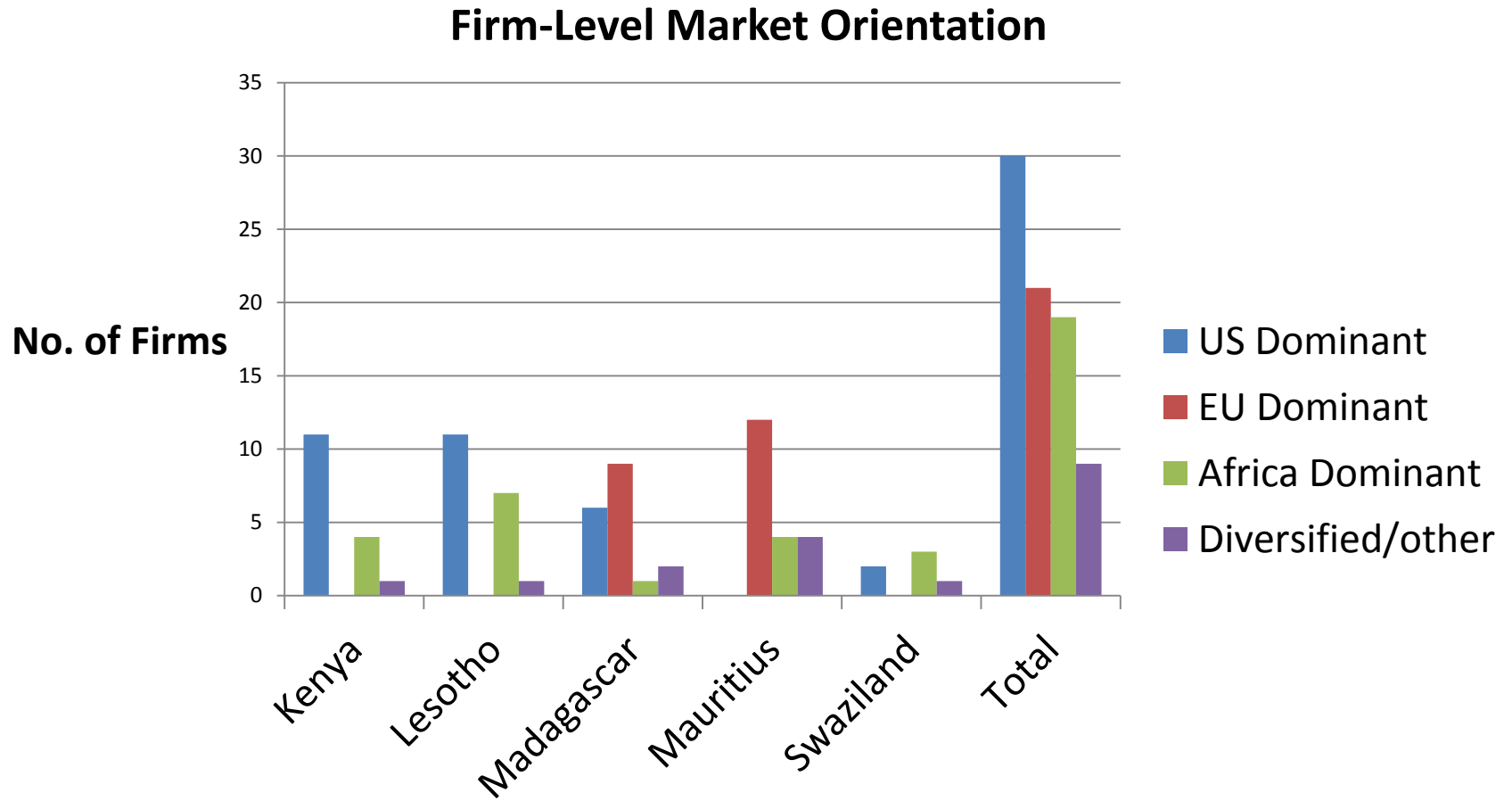
- Lesotho : 70% of manufacturing employment and 90% of total employment
- Mauritius: 37.5% of manufacturing value added and 66.1% of manufacturing employment
- Madagascar: 44% of exports and 60% of the manufacturing workforce
- Swaziland: 25% of exports and a ‘high’ proportion of non-agricultural jobs
- Kenya: Sector considered as ‘important’ in Vision 2030; accounts for 9.6% of manufacturing employment

Industrial Specialisation - Product

Proportion of basics

Country	Average units of basic products
	(%)
Swaziland	71.7
Kenya	71.5
Lesotho	59.5
Mauritius	58.1
Madagascar	28.9
Total	58.2

Market Orientation



Competitors

1. China – in all markets
2. Mauritius – in all markets
3. Bangladesh – in all markets
4. Other African countries – in all markets
5. India – in all export markets
6. Other Asian countries – in all export markets
7. Other countries – in EU and US markets only

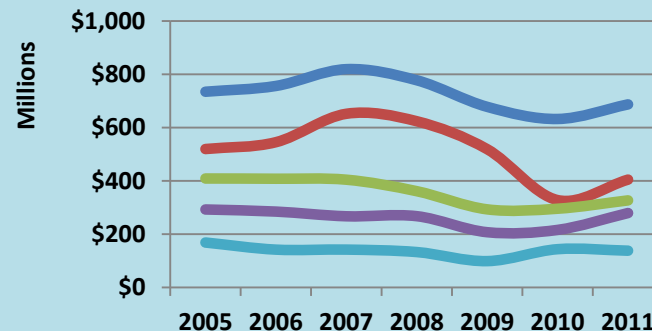
Local Resources

- Raw Materials
 - Problem of lack of local fabric
- Labour
 - Serious shortage of high level technical skills in four out of five countries

Continuing to Export

Post-MFA Stabilisation

1. More stabilisation: Mauritius and Kenya
2. Unclear: Lesotho
3. Less stabilisation: Madagascar and Swaziland



Factors in Continuing to Export

1. Political stability
2. Local ownership
3. Industry support structures
4. Human resources

Conclusions

African clothing industry is 'jogging along'.

It depends on trade preferences,
expatriate skills, and imported fabric.

Some countries are doing better than others, but all need help in reducing costs, diversifying markets, and investing in better skills, local raw materials, and new technologies.

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Responsibility for errors and omissions is ours alone.

THANK YOU!