Breaking in and Staying in

African Apparel Producers and Global Markets

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Outline

1. Introduction
2. Apparel Firms in Five Countries
3. Continuing to Export
4. Conclusions
Introduction

1. Breaking in and staying in:
   – Africa’s post-MFA experience of Global Apparel Trade

2. Theoretical perspectives

3. Methodology

Millions

2005 2006 2007 2008 2009 2010 2011

Mauritius
Madagascar
Lesotho
Kenya
Swaziland

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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
### Table 1: Employment Size by Country

<table>
<thead>
<tr>
<th>Employees</th>
<th>Kenya</th>
<th>Lesotho</th>
<th>Madagascar</th>
<th>Mauritius</th>
<th>Swaziland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>100-499</td>
<td>5</td>
<td>9</td>
<td>5</td>
<td>11</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>500-999</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>1000-2999</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>Over 3000</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>4</td>
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<tr>
<td>missing</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Firms</strong></td>
<td><strong>16</strong></td>
<td><strong>19</strong></td>
<td><strong>18</strong></td>
<td><strong>20</strong></td>
<td><strong>6</strong></td>
<td><strong>79</strong></td>
</tr>
</tbody>
</table>

*Source: Field data, 2011*
Establishment Range: 1952 to 2010
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

<table>
<thead>
<tr>
<th>Country</th>
<th>Average units of basic products (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swaziland</td>
<td>71.7</td>
</tr>
<tr>
<td>Kenya</td>
<td>71.5</td>
</tr>
<tr>
<td>Lesotho</td>
<td>59.5</td>
</tr>
<tr>
<td>Mauritius</td>
<td>58.1</td>
</tr>
<tr>
<td>Madagascar</td>
<td>28.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58.2</strong></td>
</tr>
</tbody>
</table>
Market Orientation

Firm-Level Market Orientation

No. of Firms

Kenya  Lesotho  Madagascar  Mauritius  Swaziland  Total

US Dominant  EU Dominant  Africa Dominant  Diversified/other
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!