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Rules of origin and investment in textiles and apparel within the African Continental Free Trade Area

OVERVIEW

Rules of origin (ROO) could have an impact on investment in Africa. In the highly contested textile and apparel sector the African Continental Free Trade Area (AfCFTA) negotiations on the rules have not been concluded. The choice of what type of ROO to adopt will have far-reaching implications. African countries cannot rely on ROO alone, and need a range of supply-side policies and strategic alliances to ensure they are not stuck at the lower end of the value chain.

This policy brief introduces the textile and apparel value chain, as well as the ROO being discussed within the AfCFTA. It then looks at the capabilities and capacities in the textile and apparel regional value chain, and investigates the impact of foreign direct investment (FDI) in some of the African countries and the issues to consider in the textiles and apparel sector. Recommendations are made based on complementary areas for consideration in attracting investment in the continent.

Finally, a conclusion is made on the potential impact of the ROO on investment on the textiles and apparel sector in the AfCFTA.

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info@tips.org.za
+27 12 433 9340
www.tips.org.za

Policy Brief by
Liako Mofo
TIPS Senior Economist

INTRODUCTION

Multi-country preferential trade agreements and duty programmes are increasingly influencing the trade and investment decisions of companies that manufacture goods for sale in regional and global markets. Whether or not a specific imported product qualifies for preferential tariff treatment through these arrangements and programmes depends primarily on how the rules of origin apply to the product and the manufacturing processes used. The rules of origin also play a critical role in determining the application of non-preferential trade measures, such as anti-dumping duties, countervailing duties, quotas, and government procurement preferences.

The preference for these duty agreements and programmes has led manufacturers increasingly to source raw materials and components from more than one country for their finished products. Similarly, manufacturing operations are being broken down into various stages, often conducted in different countries. Consequently, while rules of origin are gaining importance, they are also becoming more complex to administer, especially where the acquisition of raw materials and parts and the production of goods are fragmented and dispersed. To further develop trade, rules of origin should be transparent, straightforward, and predictable.

Moreover, understanding the relevant rules of origin enables companies to plan investments, production processes, and distribution strategies to minimise costs and maximise profits when producing and selling goods in multiple markets (Sandstrom, 1999).

THE TEXTILES AND APPAREL SECTOR IN AfCFTA

The textile and apparel industry encompasses various stages of production, involving different levels of value addition. This includes raw materials and inputs such as cotton, silk, wool, vegetable fibres and man-made fibres, yarns, fabrics, apparel, made-ups, textiles, and carpets. Textile production, which involves activities such as yarn spinning, spans the cultivation of cotton fibres to weaving. The fabric produced, along with additional components like buttons and zippers, is used in apparel manufacturing. Used garments are also traded or recycled. Textile production is capital-intensive and benefits from economies of scale, while the apparel segment tends to rely more on labour.

AfCFTA offers an opportunity to foster development of regional value chains and boost trade among African nations. It aims to meet growing demand by promoting intra-African trade and substituting imports of manufactured goods.

Moreover, Africa's fabric and apparel production is predominantly focused on cotton, with a low share of global imports for man-made fibres (5%), yarns (6%), and fabrics (9%). Leading exporters of man-made fabrics and finished goods include China, Turkey, Vietnam, Cambodia, and Bangladesh. These finished goods are primarily destined for North America and Europe (Whitfield, 2022).

African countries predominantly export cotton but play a limited role in global apparel supply chains, contributing only 2%-3% to yarn, fabric, and apparel exports. In contrast, Africa imports a significant amount of finished textile products, with a notable 14% share in fabric. In addition, Africa is the largest global market for second-hand clothing, constituting over 30% of such imports. This underlines the substantial imbalance in Africa's involvement in different segments of the apparel value chain (Whitfield, 2022).

The advantages derived from South-South trade hinge on the specific nature of the goods or services being exchanged and the potential for enhancing expertise, skills, and technological and organisational capabilities (Boys and Andreoni, 2023). As such, the AfCFTA is designed to provide market access and promote transformative industrialisation. Within the textiles and apparel sector, it is expected to achieve that through building vertical integration and providing an opportunity to improve industrial capabilities while fostering the development of regional value chains (RVCs). Nevertheless, the continent has grown increasingly dependent on imported textiles, leading to a negative trade balance, inhibiting the growth of local textile industries.

Many countries have put in place specific policies to support domestic textile and apparel manufacturing, enhancing competitiveness and reducing reliance on imported products (Agarwal et al., 2023).

More advanced textile and clothing producers in Africa have been able to export their finished products to markets beyond the continent, notably, to the United States under the African Growth and Opportunity Act (AGOA) and to the European Union. However, intra-Africa trade is lacking. The AfCFTA offers a unique opportunity for the continent to foster development of RVCs and boost trade among African nations. It aims to meet the growing demand within Africa by promoting intra-African trade and substituting imports of manufactured goods (Chamroo et al., 2018). The AfCFTA serves as a platform to enhance economic collaboration and reduce dependence on external sources, potentially leading to increased regional integration and economic growth.

An estimated US$100 billion in Africa's manufacturing output, particularly in apparel and other commodities, could be added through the AfCFTA, according to Chamroo et al., 2018. They point out that achieving this goal requires an emphasis on producing more labour-intensive tradable goods for export. Competitiveness of manufacturing in the region must be bolstered in various ways, including increasing labour productivity, improving access to electric power, supplying more industrial land, moving goods more efficiently, creating a more favourable business environment, rendering financial systems more robust, and making tariff structures competitive.

To seize this opportunity, investments are needed in both upstream and downstream firms capable of meeting regional demand. These will need a comprehensive strategy that seeks to reduce Africa's reliance on imported textiles and used garments while actively promoting the expansion of the textile and apparel industry within the African continent.

RULES OF ORIGIN IN AfCFTA NEGOTIATIONS

In the negotiations within the AfCFTA, two rules of origin are at the centre of debate: the simple, single-stage transformation rule and the stringent, double-stage transformation rule. The single-stage transformation rule requires only one change in the tariff classification for a product to be considered as originating from a member country, thereby qualifying for the benefits of the free trade agreement. In contrast, the double-stage transformation rule requires two processing or manufacturing operations to occur within the AfCFTA. For example, under this rule, to meet the requirements, cotton fibre would first be transformed into yarn and then woven into fabric. Both these processes would need to take place within the AfCFTA to benefit from reduced or zero tariffs.

The main argument between proponents of these two positions revolves around their economic implications. Proponents of the single-stage transformation assert that it will encourage investment and boost intra-regional trade. In the past, improvements in exports were realised after the EU Generalised System of Preferences changed the rules for the Least Developed Countries (LDCs)[1] from the double-stage to single-stage transformation in 2011 – allowing use of imported fabric for the apparel to confer origination. Conversely, critics of the single-stage transformation rule argue that it may lead to

[1] *The AfCFTA has 33 LDCs, 16 landlocked countries, and seven Upper Middle-Income Countries.*

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transshipment of products from third countries and does not promote industrialisation within Africa. Supporters of the double-stage transformation rule contend that it encourages industrial activities by promoting the transformation of products into higher value-added items or more sophisticated ones. They argue that this process generates more revenue within the continent, has spillovers to other economic sectors such as services, and creates more jobs.

Countries with established capabilities tend to favour the double-stage transformation rule, arguing that the single-stage approach would merely result in Africa assembling fabrics from other parts of the world without developing the local value chain. They also express concerns that the single-stage rule might jeopardise African textile factories and jobs and favour importing fabrics from outside the continent. Furthermore, the advocates of the double-stage rule argue that it protects the existing and planned textile factories and jobs while encouraging new investments in textile manufacturing.

An example illustrating the protectionist nature of the double-stage transformation rule can be found in the automobile industry in the United States, Mexico, and Canada Agreement (USMCA) during the US-China trade war. In 2020, the US employed stringent rules of origin to restrict imports of Chinese intermediate goods by USMCA members, aiming to encourage investments by European Union and Japanese multinational corporations within the USMCA region (Ismail, 2022). This could provide lessons for African industrialisation.

However, it is argued that the double transformation rule implemented from 2008–2009 in countries in the Southern African Development Community (SADC) was not successful in encouraging new investments in textile production and that regional integration was limited by existing production capabilities (Whitfield, 2022). Furthermore, the low utilisation rate of the preferences was exacerbated by the complexity of the ROO within SADC (Kalenga, 2012). The prolonged debates on the rules in the AfCFTA have led to a compromise transitional rule being considered that allows LDCs five years of building production capabilities before they transition to double stage transformation. It is important that such a measure takes place alongside existing capacity or is accompanied by investment plans.

EXISTING CAPABILITIES AND INVESTMENT IN TEXTILES AND APPAREL IN AFRICA

Regional capabilities and investment in the Southern, Northern, Eastern and Western parts of Africa differ.

Southern Africa

Southern Africa has the most advanced RVCs in the African textile and apparel sector. Zambia and Zimbabwe primarily export cotton fibres, while Lesotho, Mauritius, South Africa, and Eswatini are involved in the trade of cotton yarn and fabrics (Agarwal et al., 2023; Whitfield et al., 2021; Xiaoyang, 2014; Boys and Andreoni, 2023).

South Africa plays a central role in developing these value chains in the region. It benefited from early FDI, which contributed to robust economic growth in the industry. In addition, South Africa stands out as one of the largest providers of FDI on the African continent (Agarwal et al., 2023; Whitfield et al., 2021).

Mauritius has been a pioneer in the textiles and apparel industry, attracting investments since the early 1980s from Hong Kong and European apparel manufacturers looking to offshore production. In 2019, it had the most textile and apparel firms in Africa, almost all locally owned. Mauritius is unique in Africa for its fully developed vertical integration in knit, woven fabric, and yarn production. Mauritian firms export fabric to Madagascar and are the second-largest foreign investor in the country. They also have strong partnerships with South African retailers, supplying products from factories located in Mauritius and Madagascar (Agarwal et al., 2023; Whitfield, et al., 2021; Whitfield, 2022). Mauritius is also one of the countries that has developed a strategy on how to take advantage of the opportunities provided by the AfCFTA.

Eastern Africa

In East Africa, Kenya has a longstanding domestic textile and apparel industry, though substantial growth in FDI and exports commenced after the implementation of AGOA in 2000. It was the first AGOA-eligible country to fulfil the additional requirements necessary for the apparel provision. This allows Kenya to export using single transformation rules of origin, which means Kenyan

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manufacturers can import fabric from outside the region. However, the limited investment in textile mills is attributed to high electricity costs and uncertainty about government support, confining Kenya's production to basic products (Agarwal et al., 2023; Chamroo et al., 2018). One of the major problems for East Africa, particularly Kenya, is the importation of cheap second-hand clothing. The influx of second-hand clothing not only affects the apparel trade but also wreaks environmental damage (Cobbing et al., 2022).

The apparel export industry is central to the Ethiopian government's proactive and targeted industrialisation policies, which include preferential trade deals, up to nine years of tax holidays, land policies and duty-free imports of machinery, equipment, and construction material. The government focused on local investment in export-quality fabric and encouraged overseas textile producers to set up operations, helping Ethiopia to move up the value chain (Whitfield et al., 2020).

Low-income countries often initiate export-oriented industrialisation through the apparel sector because of its labour intensity and mature technology. Ethiopia has become a prominent location for apparel sourcing in sub-Saharan Africa, and is regarded by global buyers as the last frontier for affordable apparel production. Remarkably, Ethiopia witnessed a more than ninefold increase in apparel exports between 2010 and 2017 (Whitfield et al, 2020).

Northern Africa

Egypt and Morocco are both appealing destinations for foreign investment in the textiles and garments industry for several reasons.

Egypt benefits from its geographic location, well-suited for trade with both Asia and Europe. It is noted for its high-quality and cost-effective cotton, excellent domestic infrastructure, and a substantial pool of skilled labour.

Morocco has emerged as one of Africa's growing exporters and importers of apparel and textiles. Notably, 96% of its exports from the industry consist of final apparel and textiles. Most of these exports find their way to the European market, primarily due to Morocco's physical proximity to Spain and France, as well as cultural ties (Agarwal et al., 2023).

Western Africa

West Africa is one of the largest cotton-producing regions in the world. In 2021, Benin, Ivory Coast, and Burkina Faso secured the sixth, seventh, and eighth positions globally. However, West Africa faces limited value addition, with only two percent of the region's cotton production being transformed into textiles locally. More than 90%, is imported, with a significant portion going to Asia for additional processing. Importantly, the region's textile imports are valued at three times the value of its raw cotton exports (fibre2fashion, n.d.), indicating a substantial trade imbalance in this sector. Moreover, trade between West Africa and other parts of the continent is made difficult by costly non-tariff barriers such as problematic logistics.

IMPACT OF FDI AND ISSUES TO CONSIDER IN THE TEXTILES AND APPAREL SECTOR

The development of apparel export sectors brings immediate benefits like employment and foreign exchange, but it also has lasting impacts, extracting wealth through international trade. Long-term advantages include building competitive local firms and creating linkages within the national economy for multiplier effects and wealth circulation. These benefits were seen in key Asian apparel-industrialising countries, especially in Northeast Asia during the mid- to late-20th century. However, low-income countries now face a different world economy. Oligopsonistic structures, intensified by retail concentration and production dispersion across suppliers, lead to a squeeze on suppliers. Buyers now demand higher entry requirements and risk-bearing while keeping prices low or reducing payments to suppliers (Whitfield et al., 2020).

Calabrese and Balchin (2022) note that the modern garment industry involves various types of firms operating within the global value chain, each performing distinct functions. At the lower end of this chain, firms engage in simple assembly, Cut, Make, and Trim (CMT). These CMT firms, often located in developing countries, primarily provide production space and labour, often at low wages, and consequently, they have low value-added and profit margins.

Successful firms in the garment industry from East Asia, such as Taiwan, South Korea, Hong Kong, and Singapore, moved through a process of functional upgrading. These firms started as CMT producers but gradually expanded their roles to include tasks like sourcing materials and financing their operations, evolving into Original Equipment Manufacturers (OEMs). Eventually, they became full-range package suppliers for foreign buyers, managing complex production, trade, and financial networks on behalf of their clients.

For many African garment producers, however, the challenge remains to progress beyond the basic CMT production stage.

Foreign investment plays a crucial role in the learning and upgrading process of local garment firms. The degree of power asymmetry between local firms and their lead global buyers can influence the transfer of knowledge and consequently, upgrading possibilities (Calabrese and Balchin, 2022).

FDI in the garment sector can vary in its potential for upgrading, depending on the type of investment (greenfield, joint venture, or acquisitions) and the motivations driving the investment decisions (Calabrese and Balchin, 2022). Foreign firms can either be a catalyst for developing competitive local industries or act as a constraint. While they can contribute to local competitiveness, the absence of backward and forward linkages within the national economy and a failure to transfer technology to local firms can hinder their overall impact (Whitfield et al, 2020).

In addition, the embeddedness of foreign investors within the domestic garment sector also plays a role in upgrading (Whitfield et al, 2020; Calabrese and Balchin, 2022; Boys and Andreoni, 2023; Morris et al, 2016). Factors like social networks, geographical proximity, and incentives offered by host governments can affect the degree to which foreign firms contribute to local upgrading efforts. Attracting FDI alone does not guarantee upgrading, and mobile foreign investors may not prioritise local development (Calabrese and Balchin, 2022).

The effectiveness of FDI in promoting upgrading varies significantly. Sometimes, foreign companies may limit their contribution to upgrading efforts by investing inadequately in, for example, building local human capital, while others support extensive industrial development. Calabrese and Balchin (2022), discuss the four case studies of Bangladesh, Cambodia, Lesotho and Madagascar to show that each country's garment industry had unique historical trajectories, influenced by foreign investment, market access, and government policies, resulting in different levels of upgrading and local integration within the sector. These countries' historical overviews are summarised in the following subsections.

Bangladesh

- The garment industry began in the late 1970s with a collaboration between a Bangladeshi businessman and the South Korean conglomerate Daewoo.
- Daewoo provided training and guidance to Desh Garments, building capacity and transferring knowledge.
- This collaboration led to the rapid growth of the garment sector in Bangladesh.
- The industry initially focused on simple assembly (CMT) but later moved towards vertical integration and upgrading.
- Government policies, including export processing zones and improved labour regulations, supported the industry's development and upgrading.

Cambodia

- Cambodia's garment industry started in the 1990s and became a major contributor to the country's exports.
- Foreign investors were attracted to Cambodia due to low-cost labour and favourable investment incentives.
- The industry primarily engaged in CMT activities, with most products being exported.
- Most garment firms in Cambodia are foreign-owned, mainly from China, Taiwan, Hong Kong, and South Korea.
- Cambodia's dependence on foreign-owned firms and limited vertical integration hindered significant upgrading within the sector.

Lesotho

- Lesotho attracted foreign investment in the garment sector in the 1980s, driven by low labour costs and duty-free access to markets (Whitfield, 2022; Calabrese and Balchin, 2022).
- Taiwanese and South African firms were among the early investors.
- Asian-owned firms in Lesotho focused on CMT activities for export, leading to limited upgrading and low local integration.
- South African-owned firms, with regional strategies, aimed to capitalise on lower labour costs and access to SACU markets.
- The absence of locally owned garment factories and a domestic textile industry contributed to limited vertical integration.

Madagascar

- Madagascar's textile and garment sector has been a significant source of jobs and revenue since the early 2000s.
- The industry benefited from preferential market access, including to the US under AGOA.
- Asian, European diaspora, and Mauritian investors played key roles in the sector.
- Asian-owned firms primarily focused on CMT activities, with limited local integration.
- European diaspora and Mauritian investors, targeting the EU and South African markets, encouraged process and product upgrading.
- Local firms in Madagascar leveraged foreign-owned firms to learn and upgrade their capacities.

Other examples

Even though their experiences were before the establishment of the World Trade Organization (WTO), and their initial conditions were different, some lessons can be drawn from some of the successful early industrialisers such as South Korea and Taiwan on attracting FDI and the incentives that these countries offered.

These experiences are important in informing the future decisions on the ROO for investment purposes in Africa.

By linking with transnational corporations, developing countries risk being stuck with low-value production activities. This risk is higher today, mainly because of power asymmetries between TNCs in the Global North and firms in developing countries.

In the 1960s, Japanese FDI played a significant role in the South Korean textile industry. The joint ventures formed between the South Korean firms and Japanese firms were crucial for productivity growth of the Korean firms. They enabled technology transfer, minimising the chance that Korean firms would get stuck with carrying out only low-value tasks in the Global Value Chains (GVCs) (Hauge, 2020).

South Korea's success with GVC participation, especially in the light manufacturing industries, is attributed to "transferring technological know-how through joint ventures, pushing for increased local content and international competitiveness through both EOI (Export-Oriented Industrialisation) and ISI (Import Substitution Industrialisation) policies, and learning about international markets through trading companies" (Hauge, 2020: pp. 2079).

To avoid being stuck in the lower segments of the value chain, the Taiwanese government bargained strategically with foreign investors. In the 1970s it put higher export and local content requirements on FDI for labour-intensive manufacturing. It became successful in linking foreign firms with local firms. This is one of the strategies that governments can use to ensure linkages between local and foreign firms so that there is technological and skills transfer as well as local linkages procuring from domestic supply chains.

However, emulating the Taiwanese experiences of linking up to transnational corporations (TNCs) or attracting FDI in developing countries is not without its challenges. Hauge (2020) points out that by linking up to TNCs, developing countries risk being stuck with low-value production activities. This risk is higher today than a few decades ago, mainly because of the increasing power asymmetries between TNCs based in the Global North and firms in developing countries (Hauge, 2020; Morris and Staritz, 2019).

Ethiopia

The characteristics of a firm are crucial in determining investment levels in the apparel sector. In East Africa, significant investments and value additions have been observed in firms integrated into global value chains. The realisation of localisation benefits hinges on factors such as the type and embeddedness of global buyers and foreign producers. Actualisation of this potential also relies on the specific characteristics of local firms and industrial policies in place (Whitfield et al., 2020; Boys and Andreoni, 2023).

Unlike many other lower-income countries, particularly other sub-Saharan African apparel suppliers, the Ethiopian government has actively pursued strategic industrial policies informed by GVCs with the aim of facilitating upgrading and localisation of the apparel export sector (Staritz et al., 2016, 2019).

Asian investment in South-East Africa

In Xiaoyang's 2014 examination of the impact of Asian investment on Africa's textile industries, a focus on South-East African countries revealed a decline in the textile and apparel sectors, particularly affecting South Africa, Botswana, and Zambia. Intense competition from Asia, driven by factors such as trade liberalisation and rising labour costs, resulted in a shift in production to nations such as Bangladesh, Vietnam, and Cambodia.

While some local companies maintained market share in specific niches, the markets remained small and lacked potential for long-term growth. Challenges included dependence on imported materials due to limited local demand, hindering sectoral growth. South-East Africa aimed to establish a comprehensive value chain, emphasising employment creation and value addition. Rising costs in Asia prompted considering relocating production to Africa, but obstacles like political instability, regional fragmentation, infrastructure deficiencies, and cultural differences discouraged investors.

Xiaoyang suggested prioritising structural improvements, supporting small- and medium-sized enterprises, addressing political concerns, fostering large-scale factories, managing labour relations, and investing in textile processing. Despite challenges, the situation presented co-development opportunities, requiring a well-defined vision and tailored policies to adapt to global value chain dynamics for sustainable industrialisation (Xiaoyang, 2014).

RECOMMENDATIONS

In an attempt to increase investment levels in textile and apparel value chains in the region, various studies advance wide-ranging recommendations, from the types of rules of origin that can be adopted to supply-side measures complementary to the ROO.

From the ROO perspective:

- It has been noted that the double-stage transformation ROO was not instrumental in stimulating investments in SADC member countries. Instead, investments were determined by the types of foreign investors and government policies within the countries, alongside external factors such as SACU (Whitfield, 2022). To this effect, Aragwal et al. (2023) recommend increasing the participation of the LDCs by imposing quotas on exports from

Supply-side recommendations include restricting imports of second-hand garments, which flood domestic markets at below the cost of production and undermine local manufacturing.

LDCs that necessitate single-transformation ROO over a limited period, while these countries build capabilities to transition to double-stage cumulation ROO[2] to enable some level of investment on components such as buttons and zips that can be exported within the continent. This ROO is aimed at African countries with low industrialisation levels.

Supply-side recommendations:

Implementation of the AfCFTA must be complemented with a range of supply-side measures by countries at the national and regional levels. The AfCFTA could facilitate cooperation among regional institutions – for example, Africa's development finance institutions (DFIs) – to provide supply-side support and development finance to firms at a national and regional level (Ismail, 2022).

In addition, supply-side interventions have been proposed to complement the use of the ROO to support transformative industrialisation and RVCs in Africa. These include:

- To foster industrialisation and trade in Africa, it is essential to adopt a developmental regionalism approach. This involves tackling policy challenges, including macroeconomic, supply-based (firm and cluster upgrading), and market-focused policies. Priority areas include helping SMEs access formal export markets, providing industrial support to enhance competitiveness, building institutional capacity for meeting value chain standards, improving infrastructure and logistics, harmonising regulations, and addressing protectionist policies in large economies that hinder regional trade (Kaplinsky and Morris, 2019; Ismail, 2022).
- Creating industrial parks and joint campaigns with global buyers to attract first-tier suppliers (Altenburg et al., (2020).
- Developing local firms to build cumulative capabilities and a diversified textile base within a domestic economy supply chain (Whitfield, et al., 2021).
- Technological leapfrogging to leverage the sustainability shift particularly in renewable energy and the circular economy. Currently, some of the largest brands and retailers are preparing to source recycled fibres and other sustainably produced materials and are investing in technologies involving textile recycling (Jensen and Whitfield, 2022; Whitfield, et al., 2021).
- Restricting imports of second-hand garments, which flood domestic markets at below the cost of production and undermine local manufacturing (Mold and Chikweti, 2021).

[2] *Cumulation ROO is a provision that allows goods that originate in country A and are further processed or integrated into products in country B to be classified as originating from country B within the Free Trade Area.*

CONCLUSION

Existing investment in African countries has at times failed to transform the economies from the lower segments of the value chain in the textile and apparel sectors to high value-added segments. Most countries are still stuck in CMT activities. Without policies to ensure that investment and upgrading take place alongside ROO, this policy alone will not bring transformative investment and industrialisation.

To achieve a more diversified and higher growth trajectory in the sector, Africa must consider tariff and non-tariff related interventions. A mix of trade and industrial policies will be instrumental in attracting investment in the continent. Furthermore, the kind of investment and the types of agreements matter as well as each country's context such as its size, geographical location and proximity to markets, individual country-level industrial and economic development and skills development.

In line with Whitfield 2022, rather than relying on trade policy, governments are advised to design and implement industrial policies that actively support the learning processes of local firms.

Furthermore, and by way of illustration — as much as the AfCFTA is projected to boost Africa's intra-continental exports by more than 81% by 2035, the crucial factor for substantial outcomes lies in the removal of non-tariff barriers (NTBs) and implementation of trade facilitation measures. While real income gains from tariff liberalisation are projected to be minimal, around 0.22% in 2035, eliminating NTBs could significantly increase real income, estimated at 2.4% (Chamroo, et al., 2018).

As much as linkages of local businesses with foreign investors is crucial in building stronger capabilities, AfCFTA countries need to be strategic about which segments of the value chain they are targeting.

Emerging opportunities such as those brought about by the global pandemic and sustainability requirements in production must be carefully considered. These can be implemented through forging strategic alliances on the kind of FDI attracted in the continent.

As much as linkages of local businesses with foreign investors is crucial in building stronger capabilities, AfCFTA countries need to be strategic about which segments of the value chain they are targeting.

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