

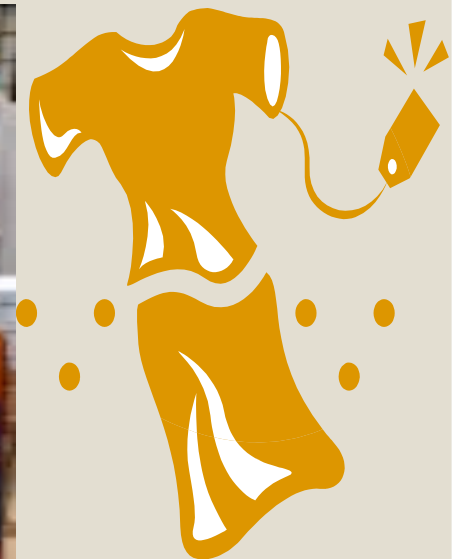
A Presentation on

Ghana's Current Textile & Apparel Exports and Export Limitations

at a

West Africa Training on Textiles and Apparel Standards

Agnes Gifty Adjei-Sam, Accra, March 2018



The Global Textile and Apparel Industry

- The global Textiles and Apparel industry forms an important component of world trade flows, particularly for some developing and least developed countries.
- According to an UNCTAD 2005 Report, developing countries produce half the world's textile exports and nearly three-quarters of the world's clothing exports (UNCTAD, 2005).
- China is largest exporter of apparel in the world - exported \$265bn in 2014. 2nd –India - \$ 38.7 bn, 3rd Italy with 32.7 bn, 4th Turkey - \$30.4 bn, 5th- Bangladesh - \$ 28 bn. Vietnam
- The Top 5 largest exporters therefore supply 54.4% of total, with China single-handedly taking on 36.5 percent.
- Apparel and Textiles selected as one of the eleven priority products under the National Export Strategy in Ghana

Overview of the Textile and Apparel Industry in Ghana

- Ghana's exports of Textiles and apparel in 2016, according to mirror statistics by ITC COMTRADE was less than 10m UDS, representing 0% of world exports for this product, its ranking in world exports is 106.
- The Textile and apparel industry in Ghana is currently undergoing many challenges –space, technical expertise, financing etc.
- Currently in the last five years, exports have decreased at an average percentage of 4.5% and 14.10% respectively in volume and value (GEPA NTEs 2016)
- AGOA offers opportunity for the T&A industry, e.g. DTRT exported close to US\$ 10m in 2016

Ghana's Trade

Consists of Textiles and Apparel

- **Textiles** – e.g. Cotton yarns, Kente

Main challenge- imports from China

- **Apparel** – Jerseys, round polo necks, etc
- US is Ghana's main market absorbing about 80% of Ghana's exports.
- Exporters belong to different tiers according to their capacity - 1, 2, 3, 4 ff
- Only one company in Ghana is in Tier 1 – DTRT
- Companies in tier 2 include Cad Fashions, Afrodesiac,
- Bullok Alfie



Ghana's Trade

- Another relatively big company is Sixteen Forty Seven. This company produces and exports large-sized clothing online to the UK Market.
- Lucky 1888 used to produce to the USA Market but folded up in 2014. Other companies include Sleek Fashions. There are others like House of Damaris, Nallem and Yvonne Exclusive who run outlets in selected countries in West and Southern African
- Many of the companies here produce Ethical Apparel Africa (EAA) also known as Afrocentric Wear. There is big market for these companies and exporters.

Ghana and AGOA

- As of June 2015, AGOA-eligible countries had exported nearly US\$480billion worth of goods to the U.S. (UNCTAD).
- AGOA provides duty-free access to the U.S. market - helping eligible nations grow, diversify their exports to US, employment and inclusive economic growth.
- Ghana had a relatively good start with the AGOA. According to USAID, in 2001 exports of T&A to US amounted to \$390,000.
- PSI boost in 2002 (own factories, low cost start-up loans, in house technical team (sourcing, sales, production assistance)– brought some growth

Ghana and AGOA

- By 2006, there were 10 factories, 4,000 employees and exports reached \$9.5 million, (compared to 320 people in 2004)
- Sadly from 2007 to 2009 exports declined to less than \$0.5 million Many locals and FDIs closed down in Ghana and other African countries, even in kenya - Source USAID
- Dwindling Government Support and poor Enabling Environment aggravated Ghana's situation. In 2010, through WATH's intervention - Lucky 1888 started. However, it encountered many challenges including space.

Ghana and AGOA

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Ghana and AGOA

- In Jan 2012, a Stakeholders Workshop held and recommendations made to resolve challenges
- MOTI was tasked to implement recommendations.
- Some intervention in 2013/14, Apparel training, funding and financing to select companies was done but there was no real due diligence and this did not lead to the desired results of new jobs.
- Additionally, the Training centers were not aligned with mass production needs.
- Lucky1888 begun winding down leading to loss of 450 jobs and \$2 mm annual exports to USA.

Ghana

- In January 2014 Dignity DTTRT JV started with 85 people 1,000 sewing operators were trained and employed.
- By mid-2015 DTTRT had 1,300 employees and made \$2.5 million in exports to US in 6 months.
- By the end of 2015, DTTRT increased its exports to \$ 7 mm to US and 1,500 people were employed.

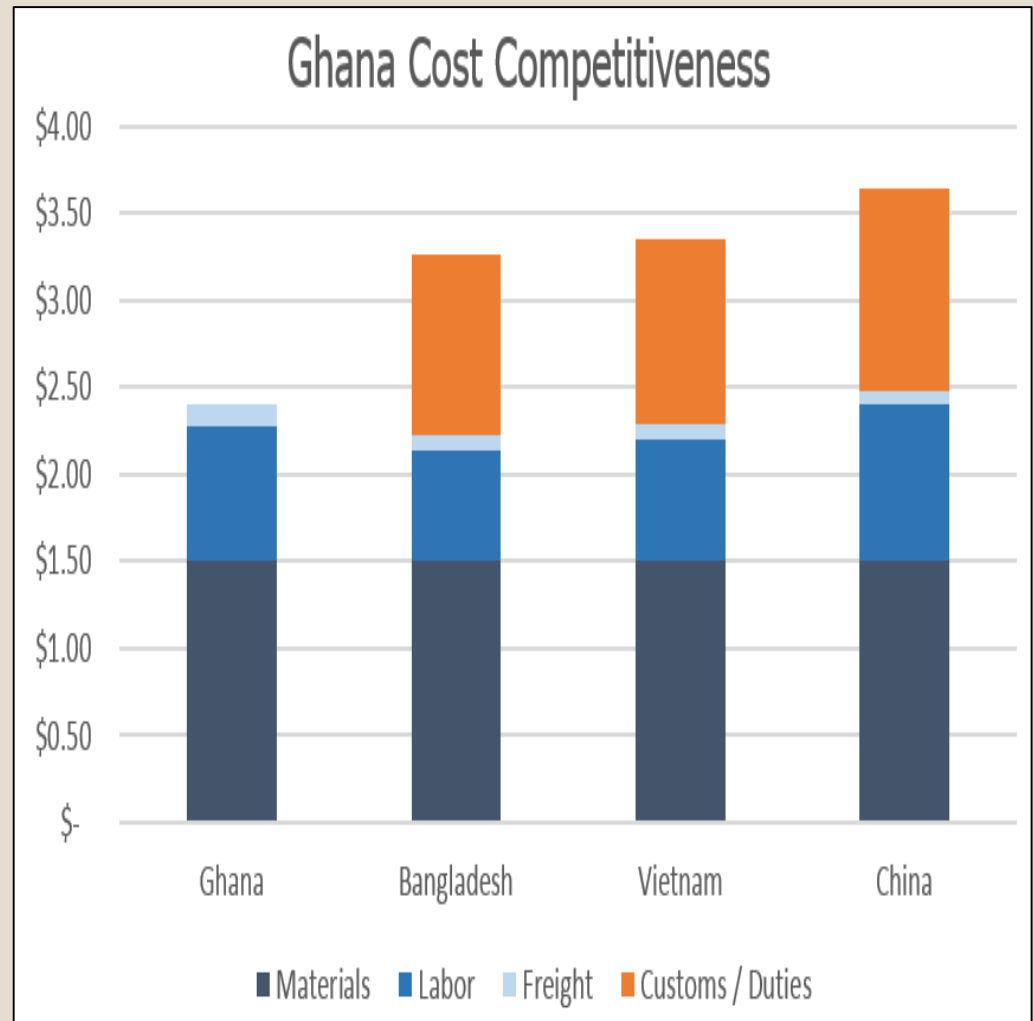
DTRT

- Established in January 2014 started with 85 workers- By had more than 1,500 trained workers
- Currently produces over 3,500 polo necks a day – CM
- Currently has space constraint
- Needs government intervention
- Dignity DTRT has trained and provided employment in apparel production to an aggregate of over 3,000 Ghanaians over the 3-year period starting January 2014
- In the first 12 months of Dignity DTRT's bulk commercial production (ending in December 2015), nearly 3 million shirts were exported to the USA.
- Since inception in 2014, DTRT Group has exported more shirts to the US under AGOA than all other West African manufacturers combined in the history of AGOA .Source- DTRT



Success- Unique manufacturing model

- We have our own sourcing office in China that works with yarn makers and knitters to develop custom fabrics.
- Thanks to AGOA, our product is imported to the US duty-free (as opposed to 32% duty if made in Asia).
- Ghana's geographic locations makes transit times to the US shorter than competitors from East Africa.
- DTRT's focus on human rights is in our DNA, which is critical to today's purchasers
 - Livable wages, Overtime & Bonus Potential
 - Free Meals & Health Insurance
 - Transportation Allowance
 - Emphasis on workplace safety





**Dignity**

**DTRT**
APPAREL
DO THE RIGHT THING

Other producers in Africa and AGOA

- **Lesotho** -By Mid-2004 -45 companies, 53,000 employees and exports to the US amounted to \$456 mm, a \$100 mm textile investment. The PM created a Textile and Clothing Task Team - reduced all “Bureaucracy”, new EPZs, reduced factory rentals, introduced productivity grants and created “targeted” investment road show.
- **Rwanda**- Late 2013: Chinese investors showed interested in the industry but no serviced factory shells were available, high-energy costs and transport logistic nightmares. By early 2014 2 apparel factory shells made available, attracted investment, now 600 jobs, \$1 mm exports.
- Another 11,500 m2 factory, to house 2,500-3,000 apparel employees built and renowned by Chinese investor C&H –

General Export Limitations - The two major concerns of buyers

- **Product differentiation.** Design and branding help buyers to differentiate and target consumers.
- **Risk of supplier failure.** Buyers are compelled to supervise the chain because of the increasing importance of non-product factors or order winning elements such as quality, response time, reliability, compliance with safety standards and environmental norms.



Current Exports and Challenges
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Current Export Limitations

- Textile factories
- No dedicated factory shells and other early stage incentives for investors
- Space limitations, Constrained space for existing factories- Upgrade apparel factories with subsidized rents, infrastructure
- Many Industries not up to industry standards – infrastructure, equipment - Digital Plotter Centres, Pattern Centre of Excellence, Commercial electric cutting pattern, Pattern – making industry
- Poor categorization of producers –one size fits all
- High cost of overheads
- Inadequate, technical/ foreign expertise/skills and workers
- Inadequate knowledge of pricing, sourcing,
- Dedicated customs officers needed

Export Limitations

- Labour issues - High cost to train workers, Unlike traditional apparel manufacturing countries (like China, Vietnam, or even Madagascar), Ghana doesn't have an existing skilled/trained workforce.
- So, whereas a factory in Asia can advertise for sewers and have highly efficient workers the next day, factories in Ghana have to train every worker in Ghana and give them at least 6 months of experience before they can meet minimum efficiency targets.
- This extensive training not only requires patience, but significant financial investment.
- Marketing - Need for dedicated Road shows
- Lack of knowledge of buyers' needs

Recommendations



- **Provide special stimuli to Textile and Garment Factory**
- **Understand the Market**
- **Good market and fashion research**
- What designers showing, shopping pattern consumers follow, special fashion events happening in the major cities across the globe, big releases in the world of entertainment – concerts, music, animation, Broadway shows and cinema, important world events scheduled for the coming seasons – sport, politics, world meets and summit.
- **Participate in Trade shows** Follow Fashion Weeks –
EXPENSIVE
- **Need for Strong PPP -**
- **Strengthening of New Association – AGAM**
- **Training to change mindset**

Conclusion

- Vietnam – now No. 2 supplier of apparel to the United States. Vietnam is a rapidly growing apparel manufacturing country because of its relatively low labor costs and huge government investment in the industry.
- The Trump Administration's curtailment of the TPP with Vietnam and the rising labor costs in Vietnam?- possible opportunity for Ghana
- Outgoing American Ambassador to Ghana, Mr Robert Jackson, has said.

“Ghanaian non-oil exports to the United States (US) doubled in 2017. We saw continued growth in apparel, as well as new products such as frozen orange juice and dried mango. Ghana's apparel exports increased from approximately \$500,000 in 2010 to \$8.5 million in 2017. That number is expected to double again over the next two years,” he stated

Conclusion

- The global Apparel Industry is worth more than \$1 trillion+, envisaged to grow through comprehensive market events in New York (NY Men's and NY Women's), Las Vegas (MAGIC) and Japan (MAGIC Japan).
- Ghana's exports represent 0% of this figure.
- Government, through the Ministry of Trade and `industry, GEPA, GSA and EXIM must work closely with the private sector in the industry to push up our exports of Textiles and Apparel



Future is Good



FOR FURTHER INFORMATION

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