



THE IMPACT OF ASIAN INVESTMENT ON AFRICA'S TEXTILE INDUSTRIES

TANG XIAOYANG

Asian investors' impact on Africa's cotton, textile, and apparel sectors may have profound consequences for the continent's industrialization and development. As southeast African countries seek to industrialize and build indigenous cotton-textile-apparel value chains, the interactions between Asian—particularly Chinese—investors and African companies become more and more complex. Indeed, Asian investors present both a challenge to and an opportunity for local industries, and southeast African countries need a clear vision and tailored policies to make the most of the opportunities.

Key Themes

- Asian companies are the major players in the world's textile market and important customers in the cotton market. Cotton exports from southeast Africa to Asian countries are increasing.
- Southeast Africa has one of the most vibrant textile sectors on the continent, and it is a key cotton-production area.
- Local apparel producers are overwhelmed by Asian imports, but they are able to survive in niche markets.
- The textile sector in southeast Africa acts as a bottleneck, stifling the development of the cotton-textile-apparel value chain in the region. Power shortages, a lack of economies of scale, and the fragmentation of regional markets are the main constraints facing the textile sector.
- Asian investors bring advanced technology and management techniques to southeast Africa that help improve local production processes, though on a small scale.
- There are pilot projects to relocate large-scale apparel production processes from Asia to southeast Africa, but the sustainability of these efforts is unclear.

Takeaways for Southeast African Countries

- African governments can increase the competitiveness of small enterprises by creating production clusters. Yet, these enterprises can be relocated easily, so their contribution to host countries' industrialization efforts may be short-lived.
- Southeast African governments can attract small- and medium-sized Asian apparel makers to their countries within a short period of time by taking steps to promote investment and offering subsidies.
- To promote long-term development and entice large-scale Asian apparel makers looking to operate in Africa, governments should focus on improving security, diplomatic relationships, the stability of power supplies, labor regulations, and openness toward foreign investment.
- Southeast African countries could avoid the costs of exporting cotton to Asia and importing textiles from Asia if qualified and efficient textile mills were built in the region. But governments and enterprises should be pragmatic about building new mills and coordinate upstream and downstream producers.

ABOUT THE AUTHOR

Tang Xiaoyang is a resident scholar at the Carnegie-Tsinghua Center for Global Policy and an assistant professor in the Department of International Relations at Tsinghua University.

CONTACT

Aurelia Kassatly
Communications Manager
akassatly@ceip.org
+86 (0)10 8215 0178 ext. 802

CarnegieTsinghua.org

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