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The Textile and Clothing Industry in Zambia

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1. Introduction

Zambia is listed as one of the poorest countries in the world. With a population of 11 million and a per capita Gross Domestic Product (GDP) of about US $ 421, Zambia is a country in political and economic transition. Its economic performance has been largely chequered, beginning with modestly high growth rates and fairly rapid general development between 1964 and around 1972, but sliding into low growth thereafter. The period between 1974 and 2000 has been characterised by low growth, rising poverty and major economic reforms. More recently, Zambia has started to witness some relatively sustained positive growth rates. An important aspect of this growth is the changing nature of its source. While mining has predominantly been the prime mover of economic growth in Zambia, recent efforts at fostering diversification to such sectors as manufacturing, agriculture and tourism are beginning to pay some dividends. This paper will focus on manufacturing, particularly the textile and clothing industry. The thrust towards promoting Non-Traditional Exports (NTEs) has placed emphasis on the textile and clothing industry.

Table 1: **Basic Economic Indicators, 1980 -2003**

	1980	1981-1990	1991-2000	2001-2003	2003
GDP (mn'US$)	3,350.05	3,544.3	3,736.8	4,439.5	4,920.0
GDP/Per Capita(US$)	583.9	522.2	413.3	414.7	421.0
Inflation (%)	11.6	50.9	68.8	20.5	17.6
External Debt/GDP (%)	84.1	191.4	204.1	173.7	146.0
FSE/TLF (%)	23.4	25.0	12.9	8.8	8.1

FSE = Formal Sector Employment; TFL = Total Labour Force

Source: CSO 2003

Placed in a historical context, Zambia's textiles and clothing industry has had an important role to play in the country's development. During the Import Substitution Industrialisation (ISI)[1] of the 1960s through to the mid-1980s, Zambia's textiles and clothing industry received substantial government support through an incentive system that favoured the entire manufacturing sector (Turok, 1989:78). This incentive system was determined by a combination of tariffs, quantitative restrictions and exchange rate management. The ultimate result was to limit the degree of and shelter the textile and clothing industry from external competition, reduce the role of the market and increase state involvement in establishing the level, composition and quality of investment in the industry.

Because of support from the state, Zambia's textiles and clothing industry grew considerably between 1964 and the 1980s. As the World Bank (1984) reports, Zambia's textiles, wearing apparel and leather contribution to total manufacturing value-added rose from 10.1 percent in 1964 to 18.4 percent in 1980. Table 2 below summarises the distribution of manufacturing value-added in selected years of the import substitution industrialisation era and highlights the relative contribution of textiles and clothing.

Table 2: **Distribution of Manufacturing Value-added, 1965-1980** (Percentage of total)

Sector	1965	1975	1980
Food Beverages and Tobacco	33.3	21.8	22.0
Textiles, Wearing Apparel and Leather	10.1	12.4	18.4
Wood, Wood Products and Furniture	7.0	4.9	4.2
Paper and Printing	5.6	5.9	5.7
Chemicals and Chemical Products	4.7	22.4	19.0
Non-metallic Mineral Products	16.7	6.7	6.6
Basic Metals and Products	22.2	25.1	23.7
Other Manufacturing	0.5	0.7	0.4
Total	100	100	100
Source: World Bank (1984)			

1 The ISI is an inward looking industrial development strategy characterised by production of non-durable consumer goods, and intermediate and capital goods to reduce dependence on western markets (Osei-Hwendie, 2003:1). The ISI was adopted during the early stages of economic development in the 1950s through to the 1980s.

The import substitution policy was able to build up a relatively diversified industrial sector with a mix of consumer, intermediate, and capital goods. The prominent sectors were food, beverages and tobacco; textiles and leather; chemicals and chemical products, and basic metals and metal products. However, and typical of the manufacturing sector at the time, very little was produced for exports. According to Gulhati,'the trade regime was biased against exports of manufacturing' (1989:23). Indeed, high rates of protection made the home market much more profitable than foreign sales and allowed high costs to co-exist with satisfactory financial performance.

Unfortunately, the import substitution policy proved costly for Zambia. With the fall in copper earnings after 1975, the textiles and clothing industry started to experience underutilisation of capacity. This was partly due to the nature of the investment in the industry and the scarcity of foreign exchange available for imported inputs and spare parts (Gweynne, 1996).

By 1990, Zambia was left with limited policy options. The pendulum had swung in favour of a market economy. With a burgeoning external debt burden, the government had to swallow a bitter pill and accept the 'sanctum of free enterprise'. In 1991, therefore, Zambia adopted the recommendation of the International Monetary Fund (IMF) and the World Bank (WB) to undertake fully-fledged trade reform and structural adjustment. Did this benefit the textiles and clothing industry? The answer is complicated. Some modest results were achieved elsewhere in the economy, but the opening up of markets and the promotion of international competition is yet to lift the textiles and clothing industry out of the doldrums. The frustration is unmistakable, 'instead of becoming lead industries for exports, the Zambian textile and clothing industry is being challenged by cheap imports[2] and is losing large segments on the home market' (Chikoti and Mutonga, 2002:3). Nonetheless, the textiles and clothing industry remains a sector of export interest to Zambia where the country could exploit its vast existing potential – if supply-side and international trade restrictions were resolved.

The purpose of this paper is to analyse the state of affairs in the textile and clothing industry in Zambia and to provide an insight as to the extent to which processes of global restructuring will be critical for the survival and growth of the industry. The approach is fourfold. First, the paper provides the structure and development of the textile and clothing industry in Zambia. In the second part, national policies towards promoting the growth of the textiles and clothing industry are discussed. The third part provides an outline of the reaction of trade unions towards the crisis. Finally, on the basis of the analysis, the outlook of the industry is given.

2 These imports are mainly Asian (in particular Chinese) textiles, South African textiles and 'worn clothing' from western countries.

2.0 Structure and Development of the Zambian Textile and Clothing Industry

2.1 Employment Levels

During the time of a thriving domestic market and import substitution, the textile and clothing industry boasted a record of over 140 companies, employing over 25,000 Zambians in the 1980s (Chikoti and Mutonga, 2002:1). However, the introduction of trade reforms was accompanied by sharp structural changes in the economy as a whole. The labour markets felt the worst impact of trade liberalisation. As already stated, in the pre-liberalisation period most of the firms in the textiles and clothing industry were state owned and formed part of the import-substitution sectors of the economy. They were protected by high tariffs and mostly dependent on state financing as they were considered infant industries. Arguably, employment in most of these industries was higher than economically necessary.

The liberalisation of trade exposed most of the firms to external competition. Because of their weak base, most of them could not withstand the competition from the foreign firms and ended up closing down or re-locating to the neighbouring countries where the production cost were perceived to be low[3]. These changes all impacted negatively on the labour markets of the country. As Chikoti and Mutonga (2002:1) reported, 'mass closures of garment factories and scaling down of operations of the textiles sub-sector saw resultant employment levels drop from over 25,000 in the 1980s to below 10,000 by the year 2002'. Consequently, formal employment as a percentage of the labour force declined from 23.3 percent in 1990 to 8.1 percent in 2003. Between 1981 and 1990 formal employment as a percentage of the labour force averaged 23 percent, but declined to 12 percent between 1991 and 2000 during which time trade liberalisation was implemented[4]. Table 3 below shows the sectoral distribution of formal employment before and after the peak trade liberalisation periods.

Table 3: **Paid Employment per Sector as Percentage of Formal Employment**

	1980	1981-1990	1991-2000	2003
Agriculture	8.6	12.8	13.9	15.4
Mining	16.5	13.6	9.8	11.7
Manufacturing	12.5	13.7	11.3	9.4
Services	62.4	59.9	64.9	63.5
Formal Employment/ Labour Force	23.4	12.9	8.8	8.1

Source: CSO, 2003.

3 Most of them relocated to Zimbabwe, Botswana and South Africa.
4 There were 451,076 formally employed people in 1981 and the number declined to 416,804 in 2003 despite the increase in the labour force.

As shown in Table 3, the percentage of paid formal employment in manufacturing dwindled from 12.5 percent in 1980 to 9.4 percent in 2003. Thus, in terms of employment levels in Zambia's textiles and clothing industry, a persistent and pervasive declining trend has been observed throughout the 1990s. As pointed out by Chikoti and Mutonga, it can be estimated that contraction in the textile and clothing industry has amounted to over 60 percent in the last decade. Thus, the uncomfortable reality is that trade liberalisation has taken away jobs in the textiles and clothing industry and unless a new trade agenda based on mutual responsibilities between developing and rich countries is forged, Zambia risks being locked into a permanent race to the bottom – beyond any meaningful prospects for reversal in the near future.

2.2 Number of Companies and Investments

In terms of companies and investments, the number of companies operating in the textiles and clothing industry in Zambia has shrunk from a record of about 140 companies in the 1980s to less than 50 companies in 2002 (Chikoti and Mutonga, 2002:2).

During the 1970s, the government had set up a number of companies in all the sub-sectors of the industry. For instance, at the level of primary industries, one big cotton and gin company, Lint Company (Lintco), was set up to develop cotton and ginning. By 1987, Lintco had planted over 78,000 hectares and achieved record production of over 64,000 tons of seed cotton. However, the change in the policy environment of the 1990s saw Lintco privatised in 1995 and its ginneries sold to Lonrho and Clark Cotton – which was subsequently bought by Dunavant. Actual investment figures in cotton seed and lint are not readily available. However, the Economic Report (2004:42) suggested that 'with the privatisation of Lintco, there has been expansion in the number of ginneries following large investments in the area of cotton seed and lint.'

In terms of the spinning sub-sector, the 1980s witnessed the emergence of a couple of major fully integrated textiles mills. Two prominent ones were the Kafue Textiles of Zambia and the Mulungushi textiles of Zambia, which were successfully meeting 80 percent of the domestic market requirement. A small number of spinning plants, such as Swarp Spinning Mills and Sakiza Spinning Limited, also existed alongside the two major state entities.

The 1990s witnessed some major investment into the weaving, knitting and garment sub-sector. A good example is the Mulungushi Textiles in Kabwe, which has since 1995 benefited from a joint partnership between the governments of Zambia and China to the tune of 13.2 million pounds investment. A substantial investment was also injected into Swarp Spinning Mills to export 100 percent yarn, whereby it doubled its capacity in the 1990s (Chikoti and Mtonga,2002:2). However, while the total installed capacity in 2001 was 23,500 tons, the downturn in the global yarn market coupled with other domestic difficulties reduced average industry capacity utilisation from 82.5 percent in 1996 to 62% in 2001.

Regarding the weaving, knitting and garments sub-sector, there used to be four major companies and over 60 smaller ones in the 1980s. The major ones included Kafue Textiles, Towels Textiles, Ndola Knitting Mills and Excel Textiles. However, the influx of cheap imports from Asia and the flow of second-hand clothing from rich western economies suffocated the sub-sector and by the mid-1990s only approximately 50 apparel manufacturers remained. As at December 2004, less than 10 of these companies had the capacity to compete regionally and internationally. Most are surviving by providing local niche markets, such as school uniforms, protective wear for mines, and professional uniforms, where they are able to compete on service and delivery.

2.3 Importance of Textiles for Overall Manufacturing

Despite the afflictions of the textile and clothing industry, its importance for overall manufacturing remains significant. Measured in value added terms, the contribution of textiles, leather and leather products (combined) is only second to that of food, beverages and tobacco. This has been the case especially since the early 1990s. Table 4 shows manufacturing value-added by sub-sector (in Kwacha Billion) at constant 1994 prices.

As seen from the table, the textiles sub-sector is a significant contributor to overall manufacturing value-addition in Zambia. Second only to the food, beverage and tobacco sub-sectors, the textiles sub-sector contributes about 16 percent to overall manufacturing value addition. The food, beverage and tobacco sub-sector account for about 60 percent of value-addition within the manufacturing sector. In the recent past, the textiles and leather sub-sector's contribution to overall manufacturing has risen on account of increased production of cotton lint and yarn. Official government sources have attributed this to 'the expansion in the number of ginneries through new private sector investments which has resulted in a significant increase in the production of both cotton and lint'(Economic Report, 2004:42). Since 2004, Zambia began to export directly to the United States of America under the African Growth and Opportunity Act (AGOA). Before 2004, textile products were only indirectly being exported to the United States through third countries.

Table 4: **Manufacturing Value-added by Sub-sector (in K'billion) at constant 1994 prices**

Sub-sector	2001	2002	2003	2004	% Change 2004/2003
Food, beverage and Tobacco	164	172.8	187.7	197.3	5.1
Textiles, leather and leather products	46.8	49.7	51.3	52.4	2.1
Wood and Wood Products	20.3	21.9	24.4	26.1	7.0
Paper and Paper Product	7.8	8	8.6	8.8	2.3
Chemical, Rubber and Plastics	28.8	25.1	26.4	28.8	9.1
Non-metallic Mineral Products	4.8	4.9	5.6	6.3	12.5
Basic Metal Products	1.2	1.2	1.4	1.5	7.1
Fabricated Metal products	6	5.8	6.1	6.4	4.9
Total Manufacturing	273.7	289.4	311.4	327.6	5.2
Total GDP	2,621.3	2,707.9	2,846.7	2,988.9	5.0
Share of Manufacturing in Total GDP	10.4	10.7	10.9	11.0	0.2

Source: Economic Report (2004:43)

2.4 Domestic Textile and Clothing Versus Imports

A look at domestic textiles and clothing against imports points to an unfavourable trade outcome. In 1996, for instance, textile exports amounted to US $ 42.2 million while imports amounted to US $ 31.2 million. At the time, there was a clearly favourable trade balance. However, by 2003, the trade balance had reversed with import penetration of textiles surpassing exports. As shown in Table 5, textiles imports in 2003 amounted to US $ 57.7 million while exports stood at US $ 49.1 million. In percentage terms, textile exports rose sluggishly by about 16 percent while imports surged by 85 percent over the same period.

The increased volume of textile and clothing imports suggests a case of trade imbalance. The surge in imports is attributable to the influx of cheap imports and the increasing phenomenon of second-hand clothing. Zambia's textile and clothing industry is thus challenged by the increasing influx of imported textiles and clothing. This resulted in the crowding out of Zambian industries as the government failed to provide import protection. A key weakness of the post-1991 trade

Table 5: **The Structure of Zambia's Trade (US$ million), 1996-2003**

	Exports		Imports	
	1996	2003	1996	2003
Animal and Vegetable Products	32.4	53.0	68.3	170.4
Food Stuff	32.61	55.5	22.3	25.8
Mineral Products	43.0	33.9	105.4	170.0
Chemicals and Plastics	27.0	9.2	150.1	339.9
Raw Hides, Skin Leather	2.4	2.7	1.5	2.0
Textiles	42.2	49.1	31.2	57.7
Wood and Wood Products	5.8	6.8	32.4	104.0
Footwear, Head Gear, Stones and Glass	11.8	73.2	17.5	32.9
Metals, Machinery Electrical and Transport	732.8	661.3	343.5	603.9
Other Products	1.8	1.2	30.1	40.3
Total	931.6	946.2	802.2	1,547.0

* Percentages in parenthesis

Source: Central Statistics Office, (2004)

policies in Zambia is that they failed to pay sufficient attention to export promotion. Instead, they focused primarily on liberalising imports through reducing and abolishing quantitative restrictions.

2.5 Importance of Textile Exports for Zambia

Textiles are part of Zambia's non-traditional exports. Evidence shows that the value of such exports has increased from US $ 90 million in 1990 to US $ 360 million in 2002. This means that non-traditional exports have increased their share in export earning from 8 percent in 1990 to 39 percent in 2002. A closer examination of the export structure based on the value of sub-sector earnings reveals that there has been a dramatic change in the composition of manufacturing exports. Specific to textiles, it can be seen (refer to Table 6) that the contribution of textiles rose sharply from 16.7 percent in 1993 to 30.5 percent in 1995 before a slight fall to 28.2 percent in 1998. The share of textiles in non-traditional exports is, therefore, huge and makes textiles exports very important for Zambia. As such it is imperative that access to markets for such a growing sub-sector should be secured if its performance is to be enhanced.

Table 6: **The Contribution of Manufacturing Products to Non-traditional Exports** (US$ '000)

	1993	Share of sub-sector exports	1995	Share of sub-sector exports	1998	Share of sub-sector exports
Building	3,695.0	5.6	5,220.5	4.1	8,582.7	5.7
Chemical Products	1,005.5	1.5	3,058.0	2.4	689.5	0.5
Engineering Products	31,303.7	47.2	39,402.9	30.7	31,672.1	21.1
Garments	687.8	1.0	145.6	0.1	417.4	0.3
Handicrafts	80.5	0.1	83.0	0.1	162.7	0.1
Leather Products	1,259.0	1.9	1,944.2	1.5	3,133.9	2.1
Non-metallic Minerals	1,361.4	2.1	703.7	0.5	532.1	0.4
Other Manufacturers	30.0	0.0	530.0	0.4	3,090.0	2.1
Petroleum Oils	173.3	0.3	11,360.8	8.9	6,813.3	4.5
Processed & Refined Foods	15,117.3	22.8	25,207.5	19.7	49,407.1	32.9
Textiles	11,062.0	16.7	39,146.0	30.5	42,369.9	28.2
Wood Products	550.1	0.8	1,417.8	1.1	3,192.4	2.1
Total Value Manuf. Based Exports	66,325.6	100.0	128,219.9	100.0	150,063.2	100.0

Source: Export Board of Zambia, Export Audit Reports, 1991-1998; Bank of Zambia, Annual Reports.

Table 7: **Zambian Exports to Major Trading Partners, 1999-2004 (%)**

Region/Continent	1999	2000	2001	2002	2003	2004
SADC	23.8	29.1	29.9	37.2	43.7	48.1
Rest of Africa	1.6	1.3	2.1	1.1	1.1	0.8
Africa Total	25.5	30.5	31.3	38.3	44.8	48.9
Asia	6.5	1.6	5.9	6.1	11.2	7.9
European Union	53.1	55	55.4	47.6	34.5	26.2
Rest of Europe	14.2	11.8	6.5	6.7	8.1	16.0
Europe Total	67.3	66.7	61.9	54.3	42.6	42.3
Rest of World	0.9	1.1	1	1.4	1.5	1.0
World Total	100	100	100	100	100	100

Source: CSO, External Trade Statistics Bulletin, 2004.

While specific external trade statistics on the destination of textiles and garments were not immediately available, Table 7 shows Zambia's total export market share by major trading partners over the past five years.[5]

From Table 7 it can be seen that while the European Union has previously been the major destination of Zambia's exports, its percentage market share has steadily declined from 53 percent in 1999 to 26 percent in 2004, representing a decline of about 50 percent over the last six years. European Union (EU) preferential access, therefore, becomes very relevant to reversing this trend and spurring Zambian exports to the European market.[7] On the other hand, Table 7 reveals that the Southern African Development Community (SADC) has increased its percentage market share as a final destination of Zambia's export, rising from 23 percent in 1999 to 48 percent in 2004. In terms of key export markets for Zambia, therefore, current statistics suggest that SADC is the biggest export market followed by the European Union. The rest of the world accounts for about 1 percent of the total market share. In regard to AGOA, it remains a potential target market for Zambian exports if exporters can meet the demand and standards required by the USA market.

2.6 'Quota Hopping': A Case of Evidence from Zambia?

The preferential access system has brought into life 'quota hopping', in particular by Asian companies, which are moving to Africa to circumvent export restriction from the preferential system in their home countries. To add focus to the preceding analysis on the structure and development of the Zambian textile and clothing industry and to tie-in the issue of 'quota hopping', evidence from one Zambian textile company that has partnered with a Chinese firm is provided in Box 1.

6 Specific time-series data on the destination of textiles exports is currently unavailable.
7 In terms of textiles, the major European destinations buying mainly 'gray cloth', cotton lint and yarn are Germany, Italy, United Kingdom and Belgium.

Box 1: **Zambia-China Mulungushi Textiles**

Zambia-China Mulungushi Textile Joint Venture Ltd. (ZCMT) is now the largest textile company in Zambia. The company in Kabwe, about 140 km to the north of the Zambian capital Lusaka, employs 2,000 workers and produces 1,800 tons of cotton yarn, 17 million meters of various fabrics and 100,000 pieces of garments every year. Its two ginneries could process 20,000 tons of seed cotton a year. It also has a refinery that produces about 600 tons of cotton seed oil. The ZCMT is also into cotton growing. Through 5,000 contracted farmers, it controls 10,000 hectares of cotton farms.

With an annual tax bill of billions of Kwacha, the ZCMT has become the life line of Kabwe, a once bustling mining town that has run out of its mineral resources. Many businesses in the town depend on the ZCMT for their survival. It would be hard to imagine that just five years ago, the ZCMT itself was one of the many dead factories in Kabwe, with its machines decaying in dust and workers sent home. The factory, formerly under the Defence Ministry of Zambia, was built with Chinese aid. It was inaugurated in 1983 after five years of construction financed by a 11.17-million-pound interest-free loan from the Chinese government. However, due to the deteriorating macro-economic situation and inefficiency, the company closed down in 1994.

In July 1995, however, the then Chinese vice-premier Zhu Rongji suggested during his visit to Zambia that the factory be turned into a Zambia-China joint venture to bring it back to life. The proposal was readily accepted by the Zambian government. It was eventually agreed that China's 11.17 million pound investment in the factory and another allocation of 1.5 million US dollars for overhaul will be turned into a 66-percent stake in the new joint venture, while the Zambian side will take up the remaining 34 percent stake. It was also agreed that the positions of chairman of the board of directors and general manager as well as all main management positions will be held by Chinese. . To ensure that the new joint venture will have enough operating fund, the Chinese government further provided it with 200 million yuan in low-interest loan.

In January 1997, about 30 management and technical staff from the Qingdao Textile Corporation in east China's Shandong Province arrived in Zambia and immediately started the overhaul work. It took the new management about 20 days to restart the factory, after repairing all the equipment, drafting new rules and regulations and recruiting workers. The new joint venture, known as the ZCMT, was formally inaugurated in May 1997 by visiting Chinese premier Li Peng. Immediately after the resumption of production, the ZCMT ran into new problems such as poor product quality, low efficiency, insufficient varieties of products and long delivery periods, all of which demanded the replacement of the outdated equipment. Over the last six years, the ZCMT has spent about 20 million US dollars on new spinning, weaving, dyeing and printing machines as well as a computer auxiliary design system, hence greatly improving the quality and varieties of its products. Then cotton supply also became a problem. The monopoly over the raw cotton market by a few big companies made it difficult for the ZCMT to source cotton at a reasonable price to the level that it had to import cotton from Tanzania, resulting in much higher costs. Starting from 1998, the ZCMT began to move into cotton farming. It provided farmers with seeds, fertilizer and pesticide in credit to farmers. In return, the farmers sold their cotton to the ZCMT. Five years later, the ZCMT has become the third largest cotton purchaser in Zambia. It purchased 9,000 tons of cotton in 2002 and 5,000 tons in 2003. In addition to meet its own needs, the company even exported 2,000 tons of cotton since 2002 to China, where there is a high demand for cotton. The ZCMT has set up a marketing network not only in Zambia but also in the whole sub-region. It has 18 stores across Zambia and two subsidiary companies in Tanzania and Namibia. The ZCMT products can be found in Zimbabwe, Malawi, Mozambique and many other countries in the sub-region. Taking advantage of the Africa Growth Opportunity Act (AGOA), the ZCMT is also doing its best to explore the US market. In 2000, it delivered 11,000 pairs of short pants to the United States, the biggest ever single export of textile products to the US market by a Zambian company!.

Source: People's Daily Online – http://english.peopledaily.com.cn/

The case highlighted in Box 1 presents a very interesting scenario. On the one hand, it is presented as a show case of radical revival and crucial intervention to salvage the company from permanent collapse. On the other, it's a subtle case of systematic quota hopping. Overall, it demonstrates the policy dilemma confronting African governments on how to move forward in a global world that defines and changes rules to suit a few global actors.

3. National Policies Towards Promoting Growth of the Textile and Clothing Industry

Government is in discussion with stakeholders and was requested to make quick and bold changes in regulations concerning this sector. Some key areas that Zambia will need to address are detailed below.

3.1 Stimulating the Domestic Textile and Clothing Industry

Zambia has, since 1991, acted very ambitiously in the conduct of its foreign trade. Some may argue that the pace of trade liberalisation has been too swift. They argue that Zambia has suffered too many industrial casualties during this era. In some cases, the casualties were inevitable – e.g. many of the import substitution industries shut down. Moreover, the domestic market alone does not justify the economies of scale required for a viable industry unless the industry is developed to utilise a unique local natural resource or material. This then places the emphasis on export capacity. Positive measures to stimulate the textile and manufacturing industries are therefore of the essence. A leaf can be taken from other cotton producing countries that continue to subsidise their production of the raw material cotton (e.g. USA, China, the EU, Central and South East Asia), thus artificially keeping world prices lower than they otherwise would be. This in turn puts undue pressure on Zambia's local cotton growing and ginning industry to charge spinners a price for cotton that is higher than international prices.

3.2 Export Duty Drawback Scheme

The export duty drawback scheme was put in place with the assistance of the World Bank and allows registered exporters to claim back all duties on their inputs regardless of whether the inputs are local or imported. However, in determining the levels of duty refund, lower duty rates (COMESA rates) have been applied. The industry requested that the substantive rates of duty be applied in the determination of duty drawbacks as this is the only way Zambian textile exporters can be compensated for the competitive and comparative disadvantages they face.

3.3 Encourage Local Consumption

Zambia urgently needs to put in place safeguard measures against imports of textiles and clothing from countries that offer unfair advantages to their exporters, thereby causing material injury to Zambian producers. The differential in the import duty structure between raw materials (cotton, yarn, fabrics) and finished goods (garments, household textiles) should be increased. Here, the difference of only 10% in the tariff for fabrics (at 15%) and for garments (at 25%) is too low. Although it may not be possible to introduce a new import duty band of above 25%, it is important to overcome this problem. Possible steps include the reduction of duties to zero for essential manufacturing equipment, spares, and input materials that are not made in Zambia such as synthetic yarns, certain types of fabrics, chemicals, dyes, packaging, etc. Secondly, the Duty Drawback coefficient should be improved. Industry also requested Government to ensure that Government tender procedures become more transparent and proactive in supporting and encouraging local industries.

3.4 Resolve the Problem of Second-hand Clothing (salaula)

Zambia is one of the few countries in the world, which permits unlimited imports of second-hand clothing. These goods, generally perceived to have been used before fall under tariff heading 63.09 on which the duty rate is 25%, the same as any other item of (new) clothing. The problem is, of course, that second-hand clothing has no value in the country of supply and is therefore shipped to Zambia at little or no cost. There is also another problem: the tariff for second-hand clothing requires that the articles “must show signs of appreciable wear”. With shipments of second-hand clothing to Zambia, this is not always the case. Many garments are unworn, having been discarded because they are out-of-season, factory seconds or merely thrown away for other reasons not associated with “appreciable wear”. In this regard, Zambia must seek a solution to this problem, either through the World Trade Organisation (WTO), or through the introduction of safeguard legislation (which would enable additional duty to be levied), preferably on a deductive or computed value. In line with this, Zambia could impose quantitative restrictions, and impose a fixed duty rate of say K10, 000 to K15, 000 (US $ 2.50 to US $ 3.00) per kg. To continue allowing unlimited quantities of discarded clothing into Zambia without the proper collection of the appropriate customs duty based on the real value (not cost) of the garments will ensure the continued contraction of Zambia’s clothing manufacturing industry. Countries such as Kenya and Uganda have already started taking action (such as imposing punitive tariffs and/or quantitative import limitations) against imports of second hand clothing.

3.5 Negotiate for Improved Access Under the SADC Trade Protocol

Improved access offers Zambian exporters better prospects (than COMESA) for increasing their exports. However, the quotas negotiated for Zambia are very small and cover a very small percentage of its textile capacity; these quotas need to be increased substantially, especially for yarn initially, and later for other products. Currently, the Southern Africa Customs Union (SACU) countries have made a new offer that provides for an accelerated phase down of their import duty structure for textiles and clothing imported from countries of the Southern Africa Development Community (SADC). Zambia must utilise these opportunities immediately as they will allow for duty free and quota free yarn exports from Zambia into SACU countries. Thereafter, Zambia should push for increased SADC quotas for all textiles and clothing products.

3.6 Introduce Cotton Lint Procurement Schemes

Zambian spinning mills are placed at an international disadvantage because they have to buy their annual requirements of cotton lint during the marketing season (May to August) and then bear the cost of storage and finance, directly or indirectly. In view of cash constraints, these mills generally pay import parity prices plus premiums to cover both storage costs and the inherent holding risk of the ginners. The result is that Zambian mills procure cotton lint at total costs that are substantially above the international world market price. Whereas spinners in other countries in Asia are able to secure cotton through government schemes at predetermined prices below international prices, Zambian firms are not accorded this incentive. It is proposed that a scheme be put in place that allows spinners to obtain cotton lint at lower prices. Such a scheme would require the financing of cotton requirements for the spinners by Government, through a crop marketing agency, or some other financing mechanism. Alternately, lint producers should be compelled to meet local requirements at world prices less the freight component, before they are allowed to export any lint. It is also crucial that lint is offered to the local industry in local currency, as is done in all other countries.

3.7 Seeking Fair Foreign Trade Regimes

The Zambian government has actively been seeking and supporting bilateral, regional and multilateral trading arrangements. The key issues include the establishment of fair domestic and foreign trade regimes that facilitate trade to take place on a common set of agreed rules and without stifling domestic production and disrupting sales in foreign markets due to trade restrictions. Zambia recognises that the WTO has a potentially important role in promoting development prospects by reducing trade barriers in the international markets through negotiations and implementation thereafter. In terms of the negotiations regarding the Agreement on Textiles and Clothing, Zambia, like any other Least Developed Country (LDC) has made very little progress in this area.

4. Reaction of Trade Unions

The trade unions in the affected sector have been slow to react. However, there's a redeeming note that they have now begun to set about various forms of expansionist strategies as well as engaging in labour rights advocacy strategies aimed at establishing and re-asserting themselves with a visible presence in the new industrial set-up. Five broad areas of reaction can be observed. Firstly, the unions in the manufacturing sector in general are acting to broaden the membership service base to ensure that membership means the union takes care of important aspects of its members' lives. Secondly, the unions are working and bargaining with managers over issues such as job designs, career planning, and training.

Thirdly, the unions have been re-organising to gain more internal political clout. On the one hand, this has meant making grassroots organising and recruitment an integral feature of union activity, activating existing members while reaching out mainly to the unorganised within the industry. A related activity has been to work aggressively to reclaim unionisation of workers in privatised companies. Altogether, this re-organisation strategy has helped the union to deal with the problem of declining collective influence.

Fourthly, an integral component of the union reaction was an attempt to integrate young, well-educated and female workers in the leadership and decision-making structures. What is not clear though is whether this has resulted in issues of young and women workers having a firm place on the union's agenda. However, this new strategy serves to capture the hearts and minds of the "new look" workforce that would otherwise not be interested in belonging to the union.

Lastly, the unions have also reported increased involvement in labour rights advocacy strategies. This has not only enabled alliance building with the NGO community, but linked the local labour struggle with similar efforts at the international level.

5. Outlook

The outlook for the textiles and clothing industry is mixed. Zambia has a clear strategic option to become a major supplier of yarn and, to a lesser extent, fabric within the SADC region and the international market. For clothing, however, Zambia's potential to develop a significant and viable export-oriented industry is less clear. But, Zambia possesses many of the prerequisites for a successful textile industry. The government provides a stable political climate and the economic environment is becoming more predictable. It is a major cotton producer; and the foundations for the industry are in place, including unused capacity that could quickly be brought on stream. Going against Zambia, however, are its weak economy and a poor investment climate. Assaulted by competing imports, the clothing industry in Zambia is feeble and unlikely to recover quickly. Already depressed, it is likely to suffer even more as imports increase from the Asian region and other SADC countries under the new SADC trade protocol.

The yarn industry, on the other hand, has done well in recent years and has been the major target of investment in new equipment. Manufacturers have found markets, primarily in Europe and, more recently, the SADC region, that are very demanding in terms of quality and delivery and have been supplying them successfully and profitably. Thus, the cotton lint and yarn sub-sectors have continued to register positive contribution to non-traditional exports. This positive growth is likely to continue in the coming years. The fabric formation industry has not done well in recent years because, with the decline of the clothing industry, it lost its main market. Idle capacity, notably at Kafue Textiles, could, however, be brought on stream quickly. The recent investment and increased production in Zambia-China-Mulungushi Textiles indicates a potential for increased fabric production.

With the opportunities offered by AGOA and the requirements for African produced yarn and fabric, Zambia should be an important supplier for the SADC region's textile and apparel industries. Since Zambia is a major producer of high-quality cotton lint and transportation costs fall if yarn and fabric are made close to the source of cotton, converting more of Zambia's cotton into yarn and fabric within Zambia would cut raw-material costs and improve the competitiveness of the regional clothing industry.

The expected sharp increase in the mining activity in the north-western province should also likely have spill-over effects on the textiles and clothing industry. Besides, the export processing zone act is likely to take effect in 2006. For the government, it is hoped that this will spur increased investment into the textiles and clothing industry. However, based on the experiences elsewhere, this is questionable. For unions, this means more challenges to ensure labour standards are observed. Overall, the implementation of the private sector development action plan aimed at removing some impediments for manufacturing activity may positively impact on the textiles and clothing industry. The challenge, however, remains at the multilateral trading system level where trade and market restrictions remain.

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