

Centre for the Development of Enterprise



CDE

EU-ACP Cotton Forum

Cotton processing in the WAEMU
region

CDE, an institution of:

European Union



Africa, Caribbean, and Pacific

within the framework of the Cotonou Partnership

1. The present position of the textile industry in the region

The crisis in WAEMU (West African Economic and Monetary Union), like in all the other countries of West and Central Africa does not only concern trade in cotton, it concerns the whole textile sector.

In the 1970s, the growth rate in the textile industry in the WAEMU was often higher than in South-East Asia. In the early 1980s, some forty textile companies controlled most of the sizeable regional market for fancy and wax cloth (*pagne*). They also produced spun yarns and woven cloth for both the domestic and the export market. Some of them started making synthetic fabrics, ready-to-wear garments and textile articles for the industry.

In 2004, there were only three companies with satisfactory performance levels: UNIWAX (fabric printing company in Côte d'Ivoire), COTIVO (spinning and weaving company in Côte d'Ivoire) and CCV (companies in Cape Verde and Senegal that produce export-quality thread for the European market).

FITINA SA, a young cotton mill in Mali (investments of about 10 million euros) and two cotton mills in Benin and Burkina Faso may also have a satisfactory score—but that remains to be proven. There are also a few projects to revive companies, with mainly Indian and Chinese business people taking them over, e.g. the INDOSEN project.

But between 1997 and 2004, the textile industry continued to lose ground, mainly because of:

- strong competition world wide;
- unfair competition through illegal imports, counterfeit documents, sales of second-hand clothes (*friperie*),—the difference in price between illegal imported cloth and local prints is close to 40% in the region;
- the lack of a genuine regional market since each country tries to reserve its national market for its own companies;
- little productive investment, and, hence growing stocks of obsolete equipment;
- the very high cost of certain factors such as energy and transport;
- widespread poor management, e.g. little effort to become competitive, overstaffing, low productivity;
- a business environment that is often unappealing to new investors especially in countries with difficult political situations, abusive administrative practices, little legal protection, heavy taxes, etc.;
- etc.

Furthermore, in the middle of the 1980s, states had to withdraw from the industry and open their borders to meet the requirements of the IMF/World Bank structural adjustment programme, with the result being that dozens of textile companies folded up and the major European textile groups, such as DMC and Willot, left the region.

2. WHAT WAY FORWARD FOR THE WAEMU TEXTILE INDUSTRY?

Does the textile sector still have a future in the WAEMU area? Should the industry be revived?

There are some encouraging factors:

- the availability of about 750,000 tons/yr of good quality, competitive cotton fibre;

- the existence of a large market (over 1.067 billion euros) with ingrained consumer habits (fancy and wax cloth, bazin/damask robes (*boubous*), etc.);
- restructuring of the international textile market, especially since the processing of the primary product is gradually being done closer to the cotton growing areas;
- opportunities created by AGOA (African Growth and Opportunity Act) for certain investors in Mauritius, Malaysia, etc.;
- labour that may be relatively unskilled but is in abundant supply and inexpensive,
- etc.

On the other hand, many of the causes that led to the downfall of the textile industry in the 1980s and 1990s have not yet been reversed

To look more closely at this question, in 2003 CDE and BOAD (West African Development Bank) commissioned PMC, a Senegalese firm, to make a study to identify and promote industrial units using cotton as their raw material in the WAEMU region. The study analysed the various segments of the textile market (spinning, weaving, finishing, machine knitting, garments) and worked out a position for the textile industries within WAEMU. This position was assessed by comparing the pull of the regional and international markets (measured by their size, growth rates, added value and competitive intensity) against the strengths of the WAEMU industries (competitiveness). After a report back meeting with the WAEMU operators and professionals from other regions, the study drew the following main conclusions:

- on the international textile market, the only segment where WAEMU is still competitive is spinning, and the development of this activity could create enabling conditions for other segments;
- between now and 2010, a capacity to transform 25% of local production could be developed in WAEMU states, thus creating about 50,000 sustainable industrial jobs. This demand from local industries would guarantee outlets for at least one-fourth of the producers' output;
- the availability of spun yarn in the region would trigger a "virtuous circle" for the development of other segments in the textile sector.

To achieve this objective, the study essentially recommends:

- (i) establishing a preferential mechanism (30% subsidies) for cotton produced within the region, compared to the international market;
- (ii) creation of a regional fund to support production and encourage local processing of raw cotton;
- (iii) organisation of a permanent forum for public-private consultation that could contribute to the competitiveness of the cotton sector and support the sector's professional organisations;
- (iv) planning and organisation of a regional textile crafts training programme;
- (v) organisation of a regional network of technical textile centres;
- (vi) launching an active communication campaign to promote the WAEMU region.

The study includes a precise time schedule for the actions to be carried out and identifies the responsible bodies. Besides textile professionals and government representative, there are three institutions that will be involved: the WAEMU Commission, BOAD and CDE.

Some professionals and specialists in the cotton/textile trade in the region have criticised the study saying that "in the study the main added value comes from the old recipe: cotton subsidies". This issue, thus is central to the stakes of cotton processing and is far from being solved. The "against"

group says that subsidies hide lack of competitiveness and that in a world of globalisation, this is not a sustainable solution. When subsidies are stopped, sooner or later, the industry will be sent back to square one. The “for” group says that all developing countries (especially China) that have been able to develop their textile industry, went through a subsidies and market protection period.

In the meantime, the WAEMU Commission adopted an agenda for reviving the textile industry in the area, with a targeted local processing rate of 25%. As mentioned in the first section, emphasis is also being placed on the ripple of investments being made in the region: creation of FITINA (National Fabrics and Threads of Africa) cotton spinning mill by the French and the Mauritians in Mali, SITEW in Benin, etc. and also by the Indian and Chinese business people interested in reviving the industry in certain countries such as Senegal.

This is the background for the CDE textile programme in the WAEMU region.

3. Support from CDE for the WAEMU textile sector

The overall objective of the CDE/PRO-€INVEST textile programme is to contribute to providing added value to cotton at the local level in the WAEMU zone. The specific objectives are:

- (i) support the recovery and development efforts of existing industries;
- (ii) strengthen professional organisations in the sector;
- (iii) promote new investments in the region wherever possible.

This is a programme scheduled for 2003-2005, at a cost of 3 million euros (1.7 million from the CDE budget and 1.3 million from the PRO-€INVEST budget) and has already been used to start several actions:

- provide a technical support unit (CAT - *Cellule d'Appui Technique*) for OPICT (*Organisation Professionnelle des Industries Textiles*), which was founded in February 2000 by the WAEMU textile manufacturers, with the help of CDE and the WAEMU Commission. OPICT's objective is to promote and defend the overall interests of the cotton and textile industries in the region;
- organise a round table on the WAEMU textile industry in Bamako in February 2004;
- update the study on re-opening the regional textile centre (CERFITEX) in Segou, Mali;
- finance various project studies and technical assistance in the region: FITINA, a regional unit for coarse canvas, SUDCOTEX, FILSAH, etc.;
- identification of financial and technical partners (Mauritius, France, Belgium, etc.) to work with the promoters in the region;
- seek funding for investments from the EIB, BOAD and local banks;
- participate in the introduction of a test programme on fair trade in cotton, in partnership with the French Ministry of Foreign Affairs, DAGRIS and Max Havelaar.

Other actions are also being prepared:

- study/background arguments for the OPICT resolution at the Bamako forum;
- preparation, with the WAEMU Commission, of a Summit for Heads of State devoted to the transformation of raw cotton;
- preparation, in conjunction with MEDEF International and UNICE, of a WAEMU study trip for manufacturers to France and Belgium;
- study on the textile industry in Nigeria and in Ghana to prepare their inclusion in OPICT;
- preparation of the EU-ECOWAS industrial partnership meeting on the textile trade.

