Global Apparel Trade: Latin America and Sub-Saharan Africa

Eunjoo Cho and Elena Karpova, Iowa State University, Ames, Iowa

Key Words: apparel exports, apparel trade, Latin America, and Sub-Saharan Africa

Asia has been a leading apparel exporter, capturing a significant share of the global market in the past two decades (Curran, 2007; Tsang & Au, 2008). Even though Latin America (LA) and Sub-Saharan Africa (SSA) have lower levels of apparel manufacturing and exporting, these two regions are believed to possess growth potential under trade policy advantages offered by the U. S. and EU (Gibbon, 2003; Hurreeram & Little, 2004; Seyoum, 2007). Previous research has investigated apparel exports either from LA or from SSA to the U.S. or EU (Curran, 2007; Gibbon, 2003; Seyoum, 2007); however, no research has compared the apparel exports from these two regions to the U.S. and EU. It is expected that (a) these two regions will illustrate different patterns for each apparel market-the U.S. and EU, (b) such a comparison of apparel exports will identify their current apparel market shares, and (c) it will allow prediction of the future apparel trade development.

The purpose of this study was to examine the apparel exports from the two regions, Latin America and Sub-Saharan Africa, to the U.S. and EU between 2003 and 2006. The data collected during these four years were used to analyze changes in the global apparel trade after the MFA quota elimination in January 2005 (Ozden, 2005). To address the purpose of this study, the value of apparel exports from these regions (United Nations Commodity Trade Statistics Database, 2006) was analyzed for the 2003–2006 period. Proportion of apparel exports from the LA and SSA regions to the U.S. and EU was examined based on 100% of the total exports. Changes in the total apparel exports to the U.S. and EU were analyzed by comparing the total apparel exports in 2003 to the total apparel exports in 2006.

This study found that, in total, LA exported 8.6 times more ($39,342 million) apparel to the U.S. than SSA ($4,547 million) between 2003 and 2006. Under the economic partnership agreements such NAFTA and others, the major destination of the LA apparel exports was U.S.: 92% of the total apparel expert in 2003. However, apparel exports from LA to U.S. have decreased by 7% and constituted only 85% in 2006. The Asian apparel market share increased in the U.S. (Bair & Peters, 2006) and trade benefits created by the African Growth and Opportunity Act (AGOA) led to a decrease of apparel exports from LA to the U.S. In an effort to transform this challenge to an opportunity, LA expanded its apparel market outside the U.S. between 2003 (8%) and 2006 (15%). Especially, in the EU market, the exports to this region increased by 60% between 2003 and 2004 Free Trade Agreements (FTAs) with the EU (i.e., Contonou Agreement and EU-Mexico FTAs). There was 1.5 times more apparel exported from LA to EU in 2006 than in 2003.

The data show that major destinations for the SSA apparel export were U.S. (50%) and EU (35%) during the four years studied. SSA increased apparel exports to the U.S. between 2003 and 2006; however, the rate of growth was slowing down during the period (15% in 2004; 8% in 2005; and 6% in 2006). This fact implies that SSA might not be able to maintain its share of the US apparel market despite the preferential trade policy under AGOA. In the EU apparel market, SSA had much stronger presence than LA by exporting 2.6 times more apparel between 2003 and 2006. This can be explained by the trade cooperation, Cotonou Agreement, between SSA and the EU. Apparel exports from SSA to EU were not stable: they increased by 2.5% in 2004, decreased by 20% in 2005 to go up again by 5% in 2006. This fact implies quota elimination in 2005 substantially impacted the apparel industry in SSA.

The findings in this study point out that Latin America and Africa might maintain their apparel exports to the EU market, but may lose the U.S. apparel market share. Despite geographical proximity between LA and the U.S., Asia became its big threat, due to quota elimination as well as their skillful workforce. Unless LA increases its competitiveness, this region may continue to see decline in the apparel exports to the U.S. Our findings imply that AGOA may not be enough for SSA to keep apparel exports to the U.S. at the present level. This study suggests that SSA should increase production capabilities to strengthen domestic apparel industry in order to capture the U.S. buyers/retailers. The upcoming three to five years will be very important in determining the future business direction of the apparel industry in these regions. Future research is needed to examine apparel exports from Latin America and Africa beyond 2006.

Reference

Bair, J. & Peters, E. D. (2006). Global commodity chains and endogenous growth: Export dynamism and development in Mexico and Honduras. *World Development, 34*(2), 203-221.

Curran, L. (2007). Clothing's big bang: The impact of the end of the ACT on developing country apparel suppliers. *Journal of Fashion Marketing and Management, 11*(1), 122-134.

Gibbon, P. (2003). The African growth and opportunity act and the global commodity chain for apparel. *World Development, 31*(11), 1809-1827.

Hurreeram, D. K., & Little, D. (2004). International apparel trade and developing economies in Africa. *International Journal of Social Economics, 31*(1/2), 131-142.

Ozden, C. (2005). The effect of MFA quota removal on apparel exporters: Kenya, Tanzania and Uganda. *Development Research Group, Trade World Bank.* 1-36.

Seyoum, B. (2007). Export performance of developing countries under the Africa Growth and Opportunity Act. *Journal of Economic Studies, 34*(6), 515-533.

Tsang, W. Y., & Au, K. F. (2008). Textile and clothing exports of selected South and Southeast Asian countries: A challenge to NAFTA trading. *Journal of Fashion Marketing and Management, 12*(4), 565-578.

United Nations Commodity Trade Statistics Database. (1962-2007). United Nations. Retrieved from 2006 http://comtrade.un.org/.