Trade Liberalization and Poverty in Kenya: A Case Study of the Cotton Textiles Sub-sector

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June, 2006

Draft Report

Paper prepared for Consumer Unity and Trust Society (CUTS) for the project "Linkages between Trade Development and Poverty Reduction."

Abstract

Trade liberalization in the Cotton Textiles sub-sector in Kenya has evolved through different processes since Independence in 1963. The Cotton textile sub-sector was well established and grew tremendously in the era of import substitution in the 1960s and 70s when cotton and lint production was also at its peak. However due to import liberalization in the 1980s and 1990s, there was an influx of imported textiles and garments; both used and new, which led to low demand for locally produced cotton products. This led to sector wide effects, which saw a reduction in cotton and lint production as well as local textiles and garments manufacturing, and closure of several key industries in the sub sector. It is estimated that about 70,000 jobs were lost by the year 1999 and many poor farmers lost their livelihoods.

The introduction of African Growth and Opportunity Act (AGOA) in 2000 in USA provided an opportunity for revival of the sub-sector. However the country was not able to take advantage of this opportunity and instead foreign firms moved in and invested in the Export Processing Zones (EPZs) and took advantage of the duty free and quota free exports to the US. This development led to considerable employment generation in the EPZ, however the local cotton production did not increase to provide sufficient raw materials for the industries in the EPZ. This further led to more imports of raw materials hence the industry as a whole has not been able to substantially benefit from AGOA.

The Kenyan government has identified cotton-textiles as a strategic sub sector, which if well established can lead to substantial poverty reduction. However results from the survey indicate that there are various constraints experienced by all major sections of the value chain; farmers have to deal with low producer prices and are virtually operating at negative gross margin while ginners have to contend with outdated technology and high costs of production. Competition from cheap imports especially the second hand clothes were also seen as a major factor affecting both Textiles and garments industry. Therefore In order to improve the sub-sector, the country must deal with inefficient and un-competitive production of raw cotton and un-competitiveness of the textiles and garments industry through use of modern technology and lowering costs of inputs such as electricity, infrastructure should be improved. Further, imports must be regulated especially the second-hand clothes and efforts must be made to develop an integrated value chain for consumption of locally produced goods.

Acknowledgements

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