

ASHESI UNIVERSITY COLLEGE

**AN INVESTIGATION INTO STRATEGIES AND POLICIES TO EXPAND
THE TEXTILE INDUSTRY IN GHANA: A CASE STUDY USING
AKOSOMBO TEXTILE LIMITED (ATL) AND GHANA TEXTILE PRODUCT
(GTP).**

By

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DECLARATION

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:.....

Candidate's Name:.....

Date:.....

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by Ashesi University College.

Supervisor's Signature:.....

Supervisor's Name:.....

Date:.....

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I can still remember my first day in college and I wondered to myself, "When will I be in final year?" Well here I am now and still wondering what next after my undergraduate study.

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ABSTRACT

The Ghana Textile industry was part of several industries set up in the late 1960s by Ghana's first president, Dr. Kwame Nkrumah, in an attempt to make the economy self-sufficient. By the mid 1970s, there were 40 medium to large scale textile companies in Ghana. The industry's productivity peaked in this same period achieved a total output of 130 million yards, plant utilization capacity of 60% and employed about 25,000 people (Quartey, 2006). In the mid 1980s, however, the Ghana textile industry's performance started declining. Several researchers have attributed this decline to a Trade Liberalization policy that was implemented at the time. Paradoxically, trade Liberalization is the removal of trade barriers such as tariffs, quotas and other non-tariff restrictions on trade. This makes an economy freer and more open to fair trade with other countries (Krugman and Obstfeld, 2006). Today the Ghana textile industry employs some 3000 people with total industry output of 40 million yards (Zizer, 2010). This research study explores the current problems facing the Ghana textile industry using Ghana Textile Print (GTP) and Akosombo Textile Limited (ATL) as case studies. The study provides feasible and relevant measures and strategies to policy makers (government) and textile manufacturers to stimulate the moribund textile industry. In particular government should subsidize manufacturing costs, assist textile firms to obtain credit and strategically institute trade barriers. It is imperative that government and textile manufacturers understand and implement the recommendations made in this research project to revive Ghana's currently almost non-existent textile industry.

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List of Abbreviations

AGOA: African Growth and Opportunity Act

AMA: Accra Metropolitan Assembly

ASP: Assistant Superintendent of Police

ATL: Akosombo Textile Limited

CEPS: Customs and Excise and Preventive Service

EPA: Representatives of the Environmental Protection Agency

GDP: Gross Domestic Product

GNCCI: Ghana National Chamber of Commerce and Industry

GRA: Ghana Revenue Authority

GTMC: Ghana Textile Manufacturing Company

GTMI: Ghana Textiles Manufacturers and Importers

GTP: Ghana Textile Print

IS: Import Substitution

ISI: Import substitution Industrialization

MOTI: Ministry Of Trade and Industry - Ghana

SAD: Swiss Academy for Development

TGLEU: Textile Garment and Leather Employees Union in Ghana

T&C: Clothing and Textile

CHAPTER 1

Introduction

1.1 Background to the Research

After gaining independence in 1957, the Ghanaian government at the time pursued policies that sought to set the economy on the road to industrialization. One of such policies was the Import Substitution Industrialization (ISI) pursued in the late 1960s and early 1970s by Dr. Kwame Nkrumah, the president of Ghana at the time (Hoefter, 2001).

“ISI is a set of economic policies employed by developing or emerging market nations that wish to increase their self-sufficiency and decrease their dependency on developed countries”¹. It is argued that, the rationale for implementing these policies is for the protection of domestic infant industries to enable them to compete with imported goods and make the local economy more self-sufficient. Also, ISI was an effort by the government of Ghana at the time to move the economy from its agrarian state to a modern industrialized state (Quartey, 2006). This led to the establishment of light industries to produce goods for both the Ghanaian (local) and foreign markets. Like many other African countries, Ghana’s industrial strategy was meant to reduce economic dependence on imports. Thus, manufacturing industries such as the textile, soap, wood work, aluminum and metal companies were established to produce items that were previously imported. However, during the initial stages, the textile sub-sector was largely

¹ Investopedia. [Investopedia ULC](http://www.investopedia.com). 27 April 2010. 22 February 2011 <<http://www.investopedia.com>>.

dominated by foreign-owned firms. GHACEM was fully owned by Norwegians, the Ghana Textile Print was also owned by a group of investors from Holland. The implementation of the ISI increased state participation in the sub-sector. For over two decades after ISI was implemented, the textile sub-sector dominated the manufacturing sector and contributed significantly to the livelihood of Ghanaians by providing well remunerated employment. It employed about 25,000 of the labour force which makes up 27% of total manufacturing employment and operated at about 60% of plant capacity (MOTI, 2004).

Today, the Ghanaian textile industry is almost non-existent; Alluworks, Tema steel and the wood work companies operate under capacity and are on the brink of collapse leaving the economy heavily dependent on imports and the exports of primary products (cocoa and gold). "Gold and cocoa dominate Ghana's exports, accounting for over 70% of exports in 2009 with respective shares of 42% and 30%"².

Over-dependence on the exports of primary goods typically undermines economic growth and development. Prebisch and Singer (1954) have argued that over-dependence on the exports of primary goods typically undermines economic terms of trade. Terms of trade is an index of the ratio of the price of a country's exports to its imports. The terms of trade is said to improve if that index rises (Obstfeld and Rogoff, p 25). For primary products like cocoa, terms of trade decline over time so it might be a good idea for the producers

² U.S Deplomacy of State. U.S Deplomacy of State. 17 September 2010. 10 December 2010 <<http://www.state.gov>>.

of primary products to move up the chain into processing Pinnamang-Tutu (2010). For this reason, Ghana needs to diversify its export portfolio by expanding its industrial sector to increase the value of its exports relative to its imports over time. This will positively impact the economic growth and development process. In this context, it makes sense for the Ghanaian government to take pragmatic steps and initiate policies that will stimulate the currently moribund textile sector. It is also useful for the existing and emerging manufacturing industry to learn from the mistakes of the past to improve future performance. Given the background provided, this research will try to determine the optimal strategies and policies that will stimulate the stagnant textile industry in Ghana using the Akosombo Textile Limited (ATL) and the Ghana Textile Print (GTP) as case studies.

1.2 The Structure of Ghana's Textile Industry: Then and Now

The Ghana Textile Company was part of several industries set up in the late 1960s by the CPP government of Dr. Kwame Nkrumah. In 1964, the government established a state-owned farm in the North to grow cotton and built the country's largest textile mill next to the Akosombo dam -The Akosombo Textile limited. By the mid 1970s, there were over 40 medium to large scale textile companies in Ghana. The five major competing firms were: Ghana Textile Print (GTP), Printex, Akosombo Textile Limited (ATL), Ghana Textile Manufacturing Company Limited (GTMC) and Juapong Textiles. The industry's productivity peaked in the 1970s with total output of 130 million

yards, employed about 25,000 people and achieved a total plant utilization of 60% (Quartey, 2006). The Textile and Clothing (T & C) industry played a key role in Ghana's industrial sector, contributing significantly to employment and economic growth.

Year	Total Industry Output (million yards)
1977	130
1995	46
2000	65
2005	36

Table1. (Zizer, 2010)

Table 1 above shows the gradual decline in total industry output from 1977 to 2005. In the early 2000s, GTMC had operational problems thus shut down part of its manufacturing plant and laid off several workers. It opened its production line briefly under the name Volta Star Textiles but due to high pricing of products could not compete with cheaper textiles from China³ and subsequently shut down completely in December, 2005. Juapong Textiles also had financial and administrative problems and had to shut down. Currently, there are three existing textile companies in Ghana - Ghana Textile Print (GTP), Akosombo Textile Limited (ATL) and Printex. These three companies employ less than 2000 people, have a total plant utilization of 5% and a total output of 36 million yards (Zizer, 2010).

³ Egu, Francis Kwaku. [GhanaWeb](http://www.ghanaweb.com). 14 February 2009. 30 November 2010 <<http://www.ghanaweb.com>>.

1.3 Problem Statement

The Ghana textile industry in past decades was a very vibrant sector of the economy; total industry output was 130 million yards and employed approximately 25,000 people accounting for about 27% of all manufacturing employment in 1977 (MOTI 2004). "The Industry was not only a source of employment to many Ghanaians but also contributed significantly to the country's Gross Domestic Product (GDP)"⁴. Textile exports generated \$27.2 million in 1992, this increased to \$179.7 million in 1994 but revenue from exports declined consistently thereafter, and by 1998 the revenue from exports had fallen to US \$3.173 million (Quartey, 2006). It is worth mentioning though that, Ghana qualified for the African Growth and Opportunity Act (AGOA) in 2000. The AGOA is a United States trade and development law passed in 2000 which provides beneficiary countries in Sub-Saharan Africa with the most liberal access in terms of quota and duty free access into the United States market (USA.gov, 2007). The table (Table 2) below shows exports to the USA from 2002-2004 and imports from the USA over the same time period.

Year	Exports to the USA (\$)	Imports from the USA (\$)	Trade Deficits (\$)
2002	550,000	8,870,000	-8,320,000
2003	4,500,000	12,730,000	-8,230,000
2004	7,400,000	11,480,000	-4,080,000
Total	12,450,000	33,080,000	-20,630,000

Table 2 (Quartey, 2006)

It is evident from Table 2 that, exports to the US market has increased since Ghana joined AGOA, however, imports of textile and apparel from the USA

⁴ Egu, Francis Kwaku. GhanaWeb. 14 February 2009. 30 November 2010 <<http://www.ghanaweb.com>>.

has more than doubled over the same period. This development does not harm the productivity of the textile industry alone but also the general economic trade balance of Ghana. Apart from increased textile and apparel imports from the US, cheap imports (including smuggled items) from China and Pakistan remain a major challenge to the survival of the few existing companies (Ebert-Stiftung- Friedrich, 2006), (Ampofo, 2004) and (Quartey, 2006) . The increased imports, dumping and smuggling of textiles and apparel from overseas have caused the current deteriorated state of the Ghanaian textile industry.

There were about 16 large and medium sized textile companies in Ghana in the mid 1970's. In the same time period there were 138 medium to large scale garment manufacturers in the country. Today Ghana can only boast of 3 large textile companies which are even on the brink of collapse and 40 garment manufacturers who operate either on a small scale or a sole-proprietorship (Quartey, 2006). The situation in the textile industry has further worsened with the level of employment in the textile industry declining from a peak of 25,000 in 1977, 7,000 in 1995, 5,000 in 2000 and to less than 2000 people currently (Zizer⁵, 2010). The number of yards produced has also declined from 130 million yards in 1975 to 46 million yards in 1995; however, after Ghana joined the AGOA in 2000, the total industry output increased to 65 million yards. Currently total industry output is assumed to be 36 million yards (Zizer, 2010).

⁵ Moses Zizer is the Chairman of the Ghana Textile Leather and Garment Employees Union (TLGEU). In July 2010, he did a television documentary on pirated textiles and smuggled textiles from Abroad for Metro TV Ghana.

Additionally, in recent years preference for African prints has been replaced with increased demand for second hand clothes and cheap apparel from China. According to a 2004 report by the International Trade Center based in Geneva, Ghana imports some \$43 million worth of used clothes annually. The Swiss Academy for Development (SAD) also states that 95% of Ghanaians in both rural and urban areas purchase second hand clothing. This makes Ghana the second lead importer of used clothes in Africa. By contrast, exports of apparel (textile) totaled just \$4 million last year (2003), making Ghana heavily reliant on imports.

The switch in preference for and in increase demand for second hand clothing together with increased reliance on imports has led to the shut-down of the spinning and weaving departments of the Ghana Textile Manufacturing Company Limited (GTMC) and the release of many workers. GTMC finally shut down their production line in December 2005. Juapong Textile also went into administrative and financing problems and shut down its production lines completely. The story is not different for Ghana Textile Print (GTP). Some of the companies which are still operating are believed to be importing gray baft and semi-finished/ bleached cloth for printing in Ghana. One such company is Printex which is believed to be producing below capacity. The only surviving local textile company in the industry is Akosombo Textile Limited (ATL), but the story does not look good for them either (The Financial Times Limited, 2007). Currently the Ghana textile industry employs less than 2000 people; total industry output is 36 million meters and has a market share of 30% (Moses Zizer, 2010).

The down turn of the textile industry in Ghana is very alarming and has attracted the attention of the media, policy makers and even foreign organizations and groups. In November 2004, the "National Friday Wear" was launched by John Agyekum Kuffuor the President of Ghana. "Its goal was two-fold: to celebrate African culture and more importantly, to create jobs by reviving the textile industry that is almost collapsing"⁶. The general public embraced this concept and till date, students, white and blue color workers wear African print apparel to school or work on Fridays. Additionally, the African Growth and Opportunity Act (AGOA) has created an avenue for producers in Ghana and selected African countries to produce textiles for both the local market and for exports to the US.

Even though, these have been great leaps to reviving the textile industry; the sector is still not vibrant, employs few people and operates under capacity; thus the need for this research. This research seeks to understudy two of the surviving companies in the industry; GTP and ATL by evaluating their performance for the past five years in the face of increased importation and smuggling of textiles and apparel from overseas. These two companies were chosen because, they are the major players in the industry at the moment and thus can provide information that will be useful for policy formulation and useful to the industry as a whole. Additionally, the

⁶Egu, Francis Kwaku. GhanaWeb. 14 February 2009. 30 November 2010 <<http://www.ghanaweb.com>>.

researcher will conduct a survey of textile buyers to gather information that will be helpful in making recommendations to textile manufacturers that will boost their sales. The results of this research will provide information to other firms in the industry, new investors aspiring to enter the industry and government. It is hoped that the recommendations from this study will help the textile industry so that it can contribute to the industrialization, growth and development Ghana's economy.

1.4 Objectives of the Study

The objective of the study is to gather information on the fundamental problems facing the firms in the textile industry and how these problems can be resolved through policy formulation to start the industrialization process in Ghana again starting with the textile industry. The research further addressed the following sub-problems:

1. How production and sales of Ghana-based textile manufacturing companies such as GTP and ATL products can be increased from the level of the firm?
2. Find out the most significant bottlenecks stifling expansion of the current domestic manufacturing industry, particularly GTP and ATL
3. Investigate policies/incentives government should implement/provide to help stimulate production and sales of domestic textile manufacturers
4. Evaluate the expansion potential of the Textile Industry in Ghana

5. Evaluate impact of trade liberalization and smuggling on the textile industry

1.5 Research Questions

Research Topic:

An Investigation into Strategies and Policies to expand the Textile Industry in Ghana: The Case of the Akosombo Textile Limited (ATL) and Ghana Textile Product (GTP).

Primary research question

What strategies and policies should be implemented by Ghanaian textile firms and the Ghana government respectively to help stimulate Ghana's moribund textile sector?

Other Relevant Research Questions

1. What factors account for the recent abysmal performance of Ghana's textile industry (Using ATL and GTP as case studies)
2. What strategies can firms adopt at the firm level to improve their performance?
3. What Policies can government initiate to help revive and expand Ghana's Textile Industry?
4. What lessons from textile and garment industries from other parts of the world will be useful to GTP, ATL and Ghana's textile industry in general?

1.6 Relevance of the Research

This research is very relevant at the moment in Ghana's economy because:

- It will provide information to the government and textile firms on the strategies to employ to revive the dying textile industry
- By providing information to revive the textile industry, lots of jobs will be created; subsequently unemployment will decline especially in rural areas where cotton farming is prevalent. This will inherently reduce poverty in most rural areas thereby reducing rural- urban migration
- It will also contribute to existing literature, by providing information about the current conditions pertaining to the textile industry in Africa with Ghana as a case study
- Information provided from this research can also be utilized by other African textile manufacturers facing similar problems
- Information provided will emphasize the need for Ghana to diversify its export portfolio and estimate monetary benefits of a well functioning textile sector

1.7 Outline of Thesis

The research is structured under five main headings or chapters and is presented in the form of:

CHAPTER 1 – Background to the study and Introduction

This section of the research focuses on problem statement, research questions, relevance of research and the research objectives.

CHAPTER 2 – Literature Review

In this section, existing literature will be critically analyzed and the contributions previously made by other authors pertaining to the research question will be discussed.

CHAPTER 3 – Review of Methods and limitations

This section outlines the methods used for the study and the tools used for data collection. It describes type of data gathered and discusses highlights potential limitations of the study

CHAPTER 4 - Summary Analysis and broad discussion of results

This chapter thoroughly discusses the results and compares results to findings from secondary data. The data gathered is interpreted in this chapter through graphs, charts and other statistical measures.

CHAPTER 5- Conclusions and recommendations

This chapter proposes policies and draws general conclusions based on the results from chapter 4 and the data collected.

CHAPTER 2

Review of Relevant Literature

2.1 Economic History of Ghana's Textile Industry

Historically, Textile and Clothing (T&C) industries constituted the first manufacturing sector of the industrialization process where export production became dominated by developing countries (Ebert-Stiftung-Friedrich, 2006). During the transformation from an agrarian to an industrial society, virtually all countries passed through an initial period of accelerated development of the T&C sector. In the mid 1960s, developing countries accounted for nearly 15% of world textile exports and less than 25% of world clothing exports. In 2000, these shares are more than 50% and 70%, respectively (Ebert-Stiftung-Friedrich, 2006). Clearly the global textile industry has been taken over by developing countries, especially from Asia. In 2003, China alone accounted for 20% of total world exports of textiles and 28% of clothing (Ebert-Stiftung-Friedrich, 2006). This has created stiff competition on the international front in the T&C sector, leaving the T&C industry of African countries almost non-existent and highly uncompetitive. Trade in the T&C sector, however, has grown faster than total trade in goods between 1962 and 2001 and it will remain an economic springboard for growth and development for many developing countries. This is one reason why Ghana needs to revive its textile industry to enable it take advantage of the continuous growth opportunities in the world's T&C sector.

Prior to the almost non-existence nature of Ghana's textile industry, industrial development had been recognized as one of the surest means of ensuring higher and sustained growth rates. As already stated, T&C industries constituted the first manufacturing sector of the industrialization process (Ebert-Stiftung-Friedrich, 2006); as such nearly a decade after independence in the late 1960s, the first president of Ghana Dr. Kwame Nkrumah started the textile sub-sector.

The T&C industry played a key role in Ghana's industrial sector, contributing significantly to employment and economic growth. Textile exports generated \$ 27.2 million dollars in 1992, this increased to \$ 179.7 million in 1994 (Quartey, 2006). Ghana's textile industry employed some 25,000 people and accounted for 27% of total manufacturing employment. The cotton plantation in the Northern Region also employed about 7,500 farmers. Annual cotton production was estimated to be around 35,000 tons; this translated to total industry textile output of 129 million yards in 1977 with capacity utilization rate of about 60% (Hoeft, 2001). Quartey (2006) reported that Ghana Textile Product (GTP) was the industry leader with an annual production of 30.7 million yards in the late 1970s. This was followed by Ghana Textile Manufacturing Company (GTMC), Akosombo Textile Limited (ATL), and Printex Ltd with production levels of 15 million, 13 million and 6 million yards respectively.

By mid 1970's about 16 large and medium sized textile companies had been established in Ghana. The Garment industry also had some 138 medium and large-scale garment manufacturing companies during that time (Quartey,

2006). Hoefter (2001), in her study attributed the decline in the sub-sector's output to inconsistent government policies over the years. The removal of trade barriers in the 1980s is one such policy. As at 2002, the four major companies that survived the turbulence in the sub-sector were the GTMC, ATL, GTP and Printex with a total industry output declining from its 1970s level of 129 million yards to 46 million yards in 1995. The sector recovered in 2002 producing 65 million yards which translates to an average of 49.4% of initially installed capacity of the four firms (Quartey, 2006).

In 1995, employment within the sub-sector declined to a mere 7,000 declining further to 5000 by the year 2000. As the situation continues to deteriorate, employment continues to decline; as at March 2005 the four major textile companies in Ghana employed a mere 2961 persons (Madichie and Saeed, 2010). By March 2005, GTP was producing 9 million yards, ATL 18 million yards GTMC 2.24 million yards and Printex 9.84 million yards. A total annual output of 39.04 million yards was produced by the industry which translates to 10% of initially installed capacity. Revenue from exports of made in Ghana textiles fell to US \$3.173 million in 1998 and continued to decrease thereafter (Quartey, 2006). GTMC shut down its manufacturing plant in December 2005 leaving the textile industry with three major players; GTP, ATL and Printex (Daily Guide, 2005). These three companies still stand the risk of being shut down if imports and smuggling from China continue to intensify. The reasons for the decline in output are varied. Most researchers have argued that, the decline in Ghana's textile industry is owed to, poor infrastructure, competition from cheaper imports from Asia mostly China,

heavy dependence on Second-Hand clothing (SHC) and government policies. There is a dearth of literature that tries to identify the real causes of the demise of Ghana's once vibrant textile industry. This research will contribute to such literature.

2.2 Import Substitution Industrialization

ISI emerged in post World War II era in Latin American countries. ISI seeks to protect local industries through various avenues such as tariffs, import quotas and subsidized government loans. ISI runs counter to the economic theory of comparative advantage, where countries specialize in the production of goods in which they have a particular advantage and then engage in international trade⁷.

Most African countries such as, Kenya, Zimbabwe, Nigeria, Ethiopia and even Ghana in the 1960s and 70s employed Import substitution (IS) in the form of providing incentives for investment and domestic production through the protection of domestic firms from competing imports. Governments usually substituted imports of consumer products with local production, thereby creating demand for the importation of machinery, raw materials and intermediate products (Ebert-Stiftung- Friedrich, 2006).

Ebert-Stiftung –Friedrich (2006) indicated that several African countries benefited economically during the ISI era. Kenya had 24 ginneries with an installed capacity of 140,000 bales, Zambia and Ghana's T&C sector

⁷ Science Encyclopedia. Net Industries. February 2011. 1 March 2011 <<http://science.jrank.org>>.

employed 25,000 people each and Nigeria's T&C sector also employed some 200,000 workers.

The end of the ISI-phase was triggered by two oil price shocks; the price of a barrel of crude oil first jumped from US \$ 2 in 1972 to US \$ 12 in 1974 and later on from US \$ 17 in 1978 to US \$ 40 in 1980/81 (Ebert-Stiftung-Friedrich, 2006). Many African governments were forced to finance their fuel imports with foreign loans, for political reasons; daring not to increase the price of local fuel accordingly. The World Bank advised them to obtain more foreign loans, without giving much consideration to their future capacity to service debts. When the foreign debt crisis exploded in the 1980s, import substitution came to a virtual standstill and was rolled back by the infamous structural adjustment programs. Government subsidies to the manufacturing sector were cut, restrictions on foreign trade removed and currencies depreciated. Domestic manufacturers suddenly had to openly compete with importers and in most cases, lost large parts of domestic market shares (Ebert-Stiftung-Friedrich, 2006). This policy shift resulted in the widespread destruction of Africa's manufacturing capacity built during the ISI phase.

Ebert-Stiftung-Friedrich (2006), pointed out in his study that Asian countries have shown that ISI can work. He suggested three prerequisites needed to raise productivity levels and make ISI very successful: heavy investment to build the physical environment for market integration, trade policy surveillance on company performance and provision of public infrastructure. African countries may be able to make ISI work if they follow the Asian example carefully. However, from a purely "economic" perspective, there is

no assurance that ISI which constitutes an interference with markets will work for sure.

2.3 Trade Liberalization

The abrupt end of the ISI era led to the implementation of Trade Liberalization policies in most African countries in the 1980s. Trade Liberalization is the removal of trade barriers such as tariffs, quotas and other non-tariff restrictions on trade. This makes an economy freer and more open to fair trade with other countries (Krugman and Obstfeld, 2006). Even though, Economists like David Ricardo have argued that, the elimination of barriers to trade lead to fair trade and benefits all parities; trade liberalization have yielded negative results in sub-Saharan Africa. Ebert-Stiftung- Friedrich (2006), Quartey (2006) and Baber and Baden (2005) all reported a reduction in Ghana's textile output and employment levels subsequent to adopting Trade Liberalization policy. According to MOTI statistics, Ghana recorded about 50% reduction in T&C output between 1983 and 2000, whilst T&C employment declined by 80% (25,000 in 1975 to 5,000 in 2000). Ebert-Stiftung- Friedrich, (2006), cited that T&C imports claimed 70% share of the local market leaving to domestic producers just the remaining 30% in 2004. Other countries point to a similar loss of T&C capacity. In Zambia, T&C employment dropped from 25,000 in the 1980s to below 10,000 in 2002. Kenya used to have 24 ginneries with an installed capacity of 140,000 bales, but today only 10 ginneries are in operation and

their total output is down to 20,000 bales. With these results one wonders whether the switch to an open economy has delivered better results. It not surprising that, Quartey (2006), Baber and Baden (2005) and Ampofo (2004) all blame the regressive nature of the textile industry on trade liberalization. On the contrary Ken Iverson, the Chief Executive Officer (CEO) of Nucor sees trade liberalization as a blessing and cited that the real problem facing the American steel industry was management's failure to keep pace with innovation (Collins, 2001). This is in line with the findings of Madichie and Saeed (2010) who argued that, the real problem facing the Ghana textile industry is lack of innovation.

Although, Krugman and Obstfeld (2006) mentioned that ISI fell out of favour as it did not deliver on its promise of rapid economic development; the statistics of the textile industry in sub-Saharan Africa proves otherwise. Again, Asian countries have shown that ISI can work and that a domestic market-led strategy can be the platform to get ready for an export-led deepening of industrial production.

2.4 Problems facing Ghana's Textile Industry

The decline of Ghana's textile industry started in the early 1980s after the forced removal of protectionist measures (Trade Liberalization). Since then, the textile industry has not benefited from any particular government policy or public investments (Hoeftler, 2001). The problems the textile industry faces will be discussed under different headings in subsequent paragraphs.

2.41 High Costs

The main cost element of a textile product is the raw material, mostly cotton which makes up 40% to 80% of the total cost. One major disadvantage for Ghana's textile industry is the high price of domestic cotton. Ghanaian textile mills are required to process all local cotton before being allowed to import cotton. Hoefter (2001), compared the cotton yield in Ghana to regional yields and found that Ghana's cotton production is 775kg/ha which cannot compare with 1,200 kg/ha regional average. Ghanaian cotton prices are 40% above World market prices with high transportation and utility costs; how can the local textile prints compete with foreign ones. Even more importantly, how can the high cost of local cotton be reduced?

Quartey (2006) for example in his survey of 40 textile manufacturers had 15% and 11% of respondents citing high cost of production and high wage bills respectively as reasons for reduced production and lay-offs.

In the United States, the Farm Security and Rural Investment Act of 2002 doubled subsidies of cotton production in the U.S to nearly \$4 billion annually. The subsidy enables cotton farmers to grow cotton at a cheaper cost thus making U.S cotton prices low and more attractive on international markets (Singer, 2004). With no such subsidies in Ghana, it seems unlikely that Ghanaian manufacturers can compete effectively on international markets.

2.42 Imported Second-Hand Clothing (SHC) and Textiles

Quartey (2006) again, from his survey of 40 textile firms had 15% of respondents blame their poor performance on the influx of imitated products from abroad, particularly Asia. Others (7%) mentioned smuggling and dumping.

2.43 Outmoded Capital Stock

Ghana's textiles companies are ill equipped to pose any realistic competitive challenge to their foreign counterparts. Hoefter (2001) found that the productivity and output capacity level of Ghana's textile industry is ½ of China's. The outdated nature of machines has resulted in manufacturers' inability to build up economies of scale and produce the large quantities required for exportation. In Hoefter's research, her findings showed that Ghana's textile production costs were approximately two times higher than that of East Asia. The resultant effect is its inability to compete with imported products due to high pricing.

2.44 Poor Location and Infrastructure

Ghana's textile factories are mostly located around the south, further away from the source of raw materials which are mostly located in the Northern part of the country. Madichie and Saeed (2010) in their research of the dilemma of Ghana's textile industry, found high transportation cost, poor and unreliable delivery channels/ cost as one of the major problems facing the textile industry. These costs could have been avoided if textile factories were

located closer to the source of the raw materials. Occasional power (electricity) and water interruptions were other factors they found that impacted on textile companies' inability to produce to meet export orders on time.

2.45 Information infrastructure

Hoeft (2001) in her study found it incredible that the Ghanaian textile industry does not benefit from research institutes in the areas of marketing, design or product development and innovation. Ampofo (2004) also argues that, the industry lacks the management know-how in running large firms and the ability to increase the productivity of workers to international levels. This leaves the fate of the industry in management personnel who lack the technical know-how of running and managing large companies. They assume management positions on political basis (government appointment).

2.46 Attitude of Ghanaians

Mardichie and Saeed (2010) in their study of the dilemma facing Ghana's textile industry highlighted the negative attitudes towards "made in Ghana textiles" among the indigenous people. Indeed the attitude of Ghanaians towards 'made in Ghana' goods seems to have further compounded the ability of the industry to compete effectively (Mardichie and Saeed, 2010). Quartey (2006) survey of 40 textile firms couldn't emphasize this point better. Out of the 40 firms 44% of the respondents cited low demand for

local textile products as the principal reason for the decline in production. As Quartey (2006) put it, consumers have argued that although the locally produced finished fabrics are relatively better in terms of quality, the market for imported products has increased because the imported products have attractive colours, new designs and a softer and glossier finish compared to the 'made in Ghana' ones. Mardichie and Saeed (2010) concluded that despite the 'entrepreneurial spirit' of the textile industry, they are haunted by the 'innovation ghost'.

2.47 Poor Standardization

The findings of Mardichie and Saeed (2010) outlined poor packaging of manufactured textiles for exports as reasons for low demand for made in Ghana textiles. Other factors found in their study were poor finishing of products, lack of quality conformity to standards and manufacturers' inability to meet export orders on schedule as reasons for the poor performance of made in Ghana textiles and their inability to compete on the international markets. Additionally, the inability to use appropriate marketing communications strategies to promote various textile products and the reluctance to embrace information communication technology are commonly stated factors affecting the Ghana textile industry by foreign markets (Mardichie and Saeed, 2010). As already discussed, this can be associated with out-dated machinery and the lack of innovation in Ghana's textile industry.

2.5 Conclusion

Even though, Ampofo (2004), Quartey (2006), Madichie and Saeed (2010) and Hoeftter (2001) argued in their studies that imports of SHC and cheap imports from China significantly and negatively impacts the Ghana textile industry, Baden and Barber (2005) observed that the SHC has some desirable effects. The findings of their study indicated that the SHC sector creates approximately 150,000 employments in the informal sector. This employment level when compared to the 25,000 created by the textile industry in its peak period is insignificant.

Additionally, the results of Madichie and Saeed (2010) were consistent with findings of previous researchers such as Quartey (2006), Baden and Barber (2005) and Ampofo (2004) who stated that, poor infrastructure is one of the core causes of the uncompetitive nature of Ghana's textile industry and its subsequent loss of market share. Hoeftter (2001) on the contrary disregards poor infrastructure but blames poor management, lack of access to credit facilities and poor government support as the grass root cause of the current state of Ghana's textile industry.

Generally, even though the Ghana textile industry is underperforming, manufacturers agree that there is a big potential in textile exports. They however, have reservation about operating in some of these markets particularly within the ECOWAS sub-region due to trade barriers. Some of the trade barriers include among others, imposition of 20% duty by Cote d'Ivoire (contrary to ECOWAS regulations), transit tax collected at Benin and

extortion by Nigerian authorities (Quartey, 2006). Now the question is, “What can be done to enable textile manufacturers to take advantage of this huge export market identified”?

There is generally no reason to believe that T&C industries today cannot play the same developmental role they played in the UK, the US, Germany and Japan. T&C industries have played a key role in several waves in industrializing the East Asian economies such as: Hong Kong, Singapore, Taiwan, South Korea, Malaysia and more recently China, Indonesia, Thailand and Viet Nam (Hoeftner, 2001).

Though, there is extensive literature on the problems facing textile companies; little has been done to include the perspective of local buyers and what textile manufacturers ought to do to increase potential of expansion. A current gap in literature concerns the textile companies need to do to make local buyers prefer their textiles to imported ones by incorporating the views of buyers. This research will help fill that literature gap. The research is very relevant and necessary because it seeks to identify the bottlenecks facing the textile industry and to formulate policies to revive it with input from buyers, manufacturers and the government. The results of this study should be useful to policy makers in other countries should they decide to stimulate their textile sector.

CHAPTER 3

Review of Methods and Limitations

3.1 Methodology

The research topic for this project is an Investigation into Strategies and Policies to expand the Textile Industry in Ghana: The Case of Akosombo Textile Limited (ATL) and Ghana Textile Product (GTP). To attempt to answer this research question, the first task was to find the problems facing the industry using the two companies selected. This was done by interviewing managers who are in key positions to provide the needed information. The Second task was an interview with a government official to find out what policies government can implement to solve the problems cited by the textile industry. The third task brought stakeholders in the textile industry together to brain storm/ discuss strategies and measures that ought to be taken from the manufacturers' stand, policy maker's stands and the textile union's stand to expand the industry. Finally, the buyers' perspective of the textile industry was be evaluated through survey questionnaires. This enabled the researcher connect the problems facing the textile industry from the manufacturers' point to that of the buyer. This enabled the researcher better make recommendations that directly impact the textile's industry's from diverse angles.

Why a Case Study

Sarantakos (2005) defines a case study as an empirical inquiry that investigates a contemporary phenomenon with its real-life context when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. The research took the form of a case study because, the approach is valid for answering the research question particularly because multiple sources of evidence was used to evaluate the problems facing the textile industry whilst the elements being under-studied is still operating (a real-life context). This approach is also justifiable because, Madichie and Saeed (2010) in a similar research used a case study and obtain reasonable results.

For an industry with three major players, understudying the two major companies enables the researcher to draw conclusions that are representative of the entire industry.

Exploratory

The research explored several strategies, policies and measures that should be implemented given the problems facing the textile industry. Information gathered from literature on the research topic provided foreknowledge about the area of study thus; enabling the researcher to put this research into context by filling the gap created by previous studies.

3.2 Methods of Data Collection

Data collection was conducted by means of interviews, survey questionnaires, focus groups and reliable internet sources by the researcher. Primary data was predominantly used for the study and it was collected through survey questionnaires, interviews and a focus group discussion. Secondary data was partially used and this was obtained from literature and internet sources.

Gaining Access and Reliability of Data

The researcher got a formal letter of introduction from Ashesi University College for the companies going to be understudied and MOTI. The letters were given to managers/officers in key positions or departments that would be interviewed. The researcher got needed permission to investigate the subjects and use information provided publicly. Information provided is therefore from experts; thus reliable and relevant for the purpose for which it was gathered. This gives information provided by this study high level of credibility.

Interviews

The researcher conducted a structured interview with two managers from each of the firms being understudied. The use of an interview is appropriate because it is consistent with the approach Madichie and Saeed (2010) used in a similar study. It was also convenient given time limitation of the study and the busy schedule of the interviewee. The interview had structured questions with relevant questions positioned first. The structured interview

questions were two pages long; some questions had follow up questions thus an interview was used in the study to allow the respondents to further clarify certain factors such as printing procedures and elaborate on the specific problem they were facing. A recorder was used to record the interview; this was necessary to enhance accuracy in reporting answers provided, for objectivity and convenience sake. Information on products, sales, prices and number of employees were e-mailed to the researcher subsequently. Refer to appendix for a sample of the interview guide for textile manufacturers.

Focus Group

The researcher conducted a focus group discussion with a representative each from MOTI, TGLEU, GTP and ATL. The focus group discussion was relevant because it brought the stakeholders involved in a brainstorming session on the strategies and policies that will be most effective in addressing the problems the textile industry faces. This approach was used because, it was a one off discussion session hence with the busy schedule of these experts it was convenient. It was also a cost effective, efficient and quick way to get the experts directly involved with the study together to formulate to go back and forth on relevant policies and strategies that will cause a turning point of the textile industry. The focus group discussion took place for a time span of 45 minutes. It also provided relevant information which is first hand information aimed at reviving the industry.

Survey Questionnaires

The questionnaire was designed in an inverted funnel format with mostly closed ended questions. Closed ended questions were used because; it is faster and convenient for the respondents to tick. Hence it did not drive respondents away; it significantly increased the speed of data gathering. The questionnaire was a page long with primary questions placed first; followed with secondary questions. The questionnaire was designed for cloth buyers. Bearing in mind the how busy people are generally, the questionnaire was designed to fit one page, precise and straight to the point. On average, it took about three and a half minutes for respondents to finish answering the questions after it had been handed to them.

The main variables in the questionnaire were price of a yard of cloth, respondents' preferred form of clothing, disposable income of respondents and the average amount of money spent on cloth annually. The questionnaire was geared towards establishing the preferences of buyers in order to make recommendations to manufacturers on pricing bearing in mind the disposable income brackets of buyers and other relevant factors. See appendix for a sample of the questionnaire.

3.3 Sampling Procedure

The study was conducted over a time span of seven months; starting from September 2010 to April 2011. For convenience and cost reduction reasons, data for this study was gathered in Accra and the stakeholders for this research were; cloth buyers, GTP, ATL, Printex and MOTI.

Sampling Frame

The study's sampling frame consists of people in the youthful age in Accra. The study took this as the target population because; people in this category are mostly either in school or work; thus earn pocket money/ allowance, wage or salary. As a result, they can choose what to purchase with this disposable income. The researcher believes cloth is one of the goods that can be purchased. The sample space is therefore 883488 (Mba, J Chuks, 2010).

Sample size

The study used 150 people as the sample size given the sample frame. Even though, a larger sample size would have been more suitable given the sample frame of the study; due to time limitation, money and other resources the researcher believes this sample size is sizeable and representative of the entire sample frame. The survey correspondents will be selected through **Accidental Sampling**. This sampling method was used to avoid any form of biases. This technique gives any member in the target population equal probability of being selected. Respondents were chosen randomly irrespective of gender during the survey and handed questionnaires to fill.

3.4 Limitations

The research methods, data collection, information and interpretation of the results are bound by certain limitations. The limitation the researcher encountered when conducting this study were:

- The research was based on two textile companies in the country thus information gathered might be restricting and not fully representative of the entire textile industry.
- Time and money were limiting factors. The research was not funded by any organization or group of people. The lack of funds means few correspondents were contacted for data collection. The few correspondents contacted too were concentrated in Accra; thus data gathered did not cover a large number of the sample frame.
- Some statistical information provided on output was not consistent with facts and historical evidence.
- Vital information on prices, number of employees, total number of cloth manufactured, cost accounts and income statements of the selected companies were not provided even if provided did not cover the five year time period indicated. According to an insider, financial data cannot be provided due to tax evasion purposes.
- Due to bureaucratic procedures in Ghana, key government officials who are in the right position to provide relevant information on policies could not be contacted.
- Certain assumptions were made on prices, total output and demand of textile products in the interpretation and analysis of results that might not be valid.

Chapter 4

Analysis and Discussion of Results

4.1 Operationalization of Words

Throughout this section, the words and phrases outlined below have been contextualized and will be used as follows:

Task force: A 16-member Task force to be responsible for the seizure and disposal of imported and pirated Ghanaian textiles on the market.

Western Corridor: Takoradi Port as the only import corridor/hub for all African Textile Prints (ATP) coming into Ghana

4.2 Profile of Ghana Textile Print (GTP)

In September 1960 Ghana Industrial Development Corporation (IDC) and two UK firms (Unilever and Lever Brothers) agreed to build a textile firm in Tema (Akwada⁸). In 1964, Tex Styles Ghana Limited was set up and production began as well. By 1976 the Ghana government had acquired total equity of 55% (Akwada).

In the early years of the 31st December Revolution, In September 1982 to be precise, workers took over the factory's administration. In November 1988, however, the government closed down the factory for alleged malpractice by

⁸ Mr. Davidson Akwada is the Safety and Operation Manager of Ghana Textile Print. The information was provided during a personal interview for this research project.

the workers' administration. It re-opened in a month later to be run by a government appointed committee.

On June 1 1994, Unilever and Vlisco (firm based in Holland) resumed management control of the company with a ten year plan to reach full production capacity by 2004 (20 million yards of wax prints) (Twum⁹). This target could not be met due to increased cost of cotton and foreign competition. Management set a new capacity target from 2006- 2011. Ghana Textile Print (GTP) was incorporated in January 1996 (Akwada).

In the late 1980s GTP was the market leader of the textile industry with total output of 30 million (Twum). By 2005, GTP had moved to second place in the industry with total production output of 9 million. As of December 31 2010, GTP employed approximately 692 people. Table 1 in the Appendix shows a gradual increase in total output. It should be noted that in 2008, total production was approximately 20 million yards (Twum). The management of GTP attributed this huge increase to the Friday wear campaign initiated by the former president (Mr. John Agyekum Kuffuor) in 2007 which prompted demand for textile products again.

In an attempt to deal with competition from Chinese imports, management introduced Nustyle last year (2010). Nustyle is a new textile brand with variety of colours and new designs. According to management, this brand is performing very well on the market because its contemporary designs.

⁹ Mr. Paul Twum is the Finance Manager of Ghana Textile Print. He provided information for this research project in a personal Interview.

Product Line of GTP

GTP generally has two broad product categories; the **Wax Product** and **Fancy Product**. Their main raw material is the grey cloths, which come in bales from China, Thailand, Cameroon and Juapong- Ghana.

Wax Products

Under the wax product, GTP has three product lines:

1. Wax prints
2. Wax block
3. Wax covers

Fancy Products

These are products that do not have wax in their making. All colours are printed directly onto the cloth by the use of Roller-Printing Machine (RPM) and the Rotary Screen Printer (RSP). Currently 90% of fancy cloths are printed with the RSP and 10% with the RPM.

Examples of Fancy Products

1. Woodin:

These are selected segments sold only in the Woodin boutiques distributed across the country. (e.g. MOSAIK)

2. Nsroma (formally known as Diva Products and Institutions):

These are selected segments sold by Premium African Textiles. e.g. MESSAGE

3. Institution Products:

These are fancy prints ordered by various organizations and institutions (e.g. SSNIT, Takoradi Polytechnic)

Nustyle

GTP introduced this brand last year. It is a combination of wax and fancy. This textile brand was purposefully made for young adults. It is very colourful with contemporary designs and suitable for all occasions. It was introduced to compete with Chinese imports.

4.3 Profile of Akosombo Textile Limited (ATL)

Akosombo Textile Limited (ATL) was established in 1967. ATL is a part of Char Marketing Group - a Chinese group of Textile companies (Opoku¹⁰). ATL manufactures real wax, African fancy prints, polyester/cotton printed and dyed fabric. It has its manufacturing plant in Akosombo and an administrative office in Accra. The main raw materials for their textile manufacturing are cotton, black oil and chemicals (dyes). ATL gets its cotton from Ejura, Nsuta, Kwamang and Afrancho located in the savanna areas of Ghana, black oil from Accra and imports the chemicals from China, Togo and the UK (Opoku). The designs for most of their textile brands are done by their experts with the use of Adobe Photoshop; designs for the ABC brand, however, are created in the UK.

¹⁰ Mrs. Margaret Opoku is the Marketing manager of the Akosombo Textile Limited. She provided information for this research project through a personal Interview with her.

In the late 1970s, ATL was the third largest textile company in Ghana with total output of 13 million yards (Opoku). In 2005, ATL commissioned new plants and equipments for the production of ABC wax and Supper wax which used to be imported from the UK. In that year, ATL emerged market leader of the textile industry with a total output of 18 million yards.

In an attempt to deal with competition from Chinese imports, ATL introduced new brands (Daviva and Treasure) in 2008. These brands were targeted at two distinct market segmentations. Treasure was targeted at the high earned in society where as Daviva was targeted at middle income earners. These according to management have yielded positive results. Currently, ATL employs about 1,500 people and has five broad product lines. Each of the product lines has different brand names and colours that are used to create differentiation.

Product Line of ATL

1. Fancy: (Funeral Fancy)

Mostly used for printing funeral cloth or dark coloured cloth. These have traditional designs with few colours; the colours are usually:

- Black & white
- Black & red
- Black & brown
- Deep black/ red

2. WAX Product Brands

These are prints that have special designs with few colours. It is mostly used for ceremonial events, however, occasionally it is used to sew casual wears.

- Cracko print
- ATL print
- Sepia print
- ABC wax
- Indigo
- ABC super wax

3. DAVIVA

These are very colourful prints with several contemporary designs; they are designed such that, they suit all occasions and events.

- Daviva Gold
- Daviva Expression

4. Traditional Print

This is traditional Kente which has been modified with contemporary designs and colours. It is mostly for the high-income bracket's and most often worn for special events.

- Treasure

5. Institution

These are prints ordered by institutions and organization; they are specially made to suit the needs of that ordering entity.

4.4 Current Problems Facing the Ghana Textile Industry

The managers interviewed from ATL and GTP all outlined four major challenges crippling the textile industry. These problems the textile industry face as gathered from the interviews will be discussed under different sub-headings.

Dumping

Chinese textiles imported or smuggled into the country are of substandard or inferior products which do not meet the standards set by the Ghana Standards Board (GSB). According to GSB, some of these imported textiles from China contain 28 banned chemicals that are believed to cause cancer and skin diseases. This technically constitutes dumping; the average prices of these textiles are about 65% lower than made in Ghana textiles due to the substandard nature. The challenge here is, textile manufacturers in Ghana face stiff regulations from GSB, manufacture high quality textiles which are expensive thus unattractive.

Influx of Imitated Textiles from China

Chinese textile manufacturers copy registered designs that belong to textile companies in Ghana. They copy brands and salvage markings, labels and

logo of the Ghana standard board. These are copyright properties that are paid for by Ghanaian manufacturers to distinguish their products from imported ones. The Chinese manufacturers, however, pirate these copyright properties at no additional cost.

Textiles from China are most often smuggled into the country with misleading labels and descriptions. For instance, some textiles smuggled into the country have labels like KTL, GTA, ETL, ATS (imitating labels such as GTP or ATL) with no country of origin declared. These are attempts to deceive buyers to believe that, the imports are made in Ghana textiles. This strategy has yielded good results for Chinese manufacturers but undermines Ghana's textile industry. Additionally, Chinese imports are fraudulently mis-presented for tax and duty evasion purposes. Fancy textiles imported are misrepresented as wax print or lower quantities are declared than what is actually imported to pay lower customs duties. These fraudulent activities have caused and continue to cause huge financial loss to local manufacturers and the state as a whole.

High Utility Cost

Manufacturers in Ghana suffer extremely high utility tariffs. In January petroleum price was increased by 30% in January this year; this directly impacts operational costs of textile manufacturers. Electricity and water tariffs were also increased in June last year (2010) by 289% and 64.6% respectively¹¹. Electricity and water are heavily used in the manufacture of textiles, thus with these high tariffs the manufacturers incur high operational

¹¹ Isaac, Essel.JoyOnline.17 September 2010.28 March 2011<<http://www.myjoyonline.com>>

cost which prevents them from being competitive. To further worsen the high costs manufacturers' incur, cotton prices in Ghana are 40% higher than world cotton prices (Hoefter, 2001). The high utility tariffs in Ghana make it highly impossible for local manufacturers to reduce prices and compete with Chinese imports and on international markets.

Outdated Plants and Machinery

Even though, the two companies (ATL and GTP) understudied had changed their plants in the mid 2000s, their plants and equipments are still not the most recent technologies. Both companies use Adobe Photoshop in making textile designs whilst the Chinese and developed country manufacturers use Computer Aided Designs (CAD) and Computer Aided Manufacturing (CAM) Systems which saves 50% of designer's time. This allows textile designers to be more creative and productive, producing twice as many designs as compared to Adobe Photoshop (Africa and Middle East Textiles Issue, 2010).

Furthermore, in printing textiles the two companies use Rotary Screen Printing (RSP) and Roller Printing Machine (RPM) which restricts the number of colours that can be used at a time. Mostly, only two colours can be used at a time. This explains why made in Ghana textiles have very few colours compared with the Chinese imports. The latest technology in textile printing is Digital Printing. This technology allows manufacturers to simultaneously print several colours directly on textile with the aid of Direct-to Garment (DTG) printing. These factors work directly against local manufacturers by increasing their costs of operations.

This particular problem the textile industry faces as found in this study is consistent with the findings of Madichie and Saeed (2010) and Hoefter (2001).

4.5 Revenue Loss to the State

In 1976, Total Textile Print Manufactured in Ghana was: 130 million yards

In 2008, Total Textile Print Manufactured in Ghana was: 30 million yards

In 2008, Total Textile Print legally imported into Ghana was: 10million yards
(CEPS, 2008)

The calculation below is based on extremely strong assumptions. Given that the demand for textile print is still strong but there is a steep decrease in the total amount produced, then it is likely the amount smuggled into the country is very large; about 90million yards.

Assuming demand for textile print was held constant from 1976 till 2008 despite increase population. This means, total manufactured textiles and imported textiles in 2008 should be equal to the total output in 1976 (130 million yards).

The difference in total output is loss to the state:

10 million + 30 million = 40 million yards

130 million - 40 million = 90 million yards (represent smuggled textile products)

Revenue loss on 90million yards

The following represents costs elements that were evaded due to smuggling:

Duty = 20%, Inspection = 5%, ECOWAS = 4%, VAT/NHIL = 15%

Total = 44%

Minimum Cost/yard = \$1.00

Loss of revenue/yard = \$ 0.44

Assuming 90 million yards are smuggled, the **National Loss is =**

\$ 39.60 Million in 2008

4.6 Analysis of Survey Results

Out of the 150 survey respondents, Fig 3 shows that 34% and 33% of respondents cited lack of variety in designs and less colours (vibrant colours) respectively as reasons why they prefer Chinese textiles to made in Ghana textiles. Using Pareto analysis (critical few), these two characteristics are the fundamental reasons why the demand for made in Ghana textiles has decreased. 67% of respondents (the two characteristics added) stressed on unattractive archaic designs coupled with lack of vibrant colours or few colours as the characteristics of made in Ghana textiles.

These characteristics ranked highly probably because most respondents were between the ages of 18- 25 (46%) and 26 – 32% (27%) as shown in Fig 5 in the appendix. People in these age range are highly youthful and prefer colourful textiles to dull conservative designs. The National Population

Council of Ghana states that Ghana has a very youthful population; thus addressing lack of variety in terms of designs and improving textile colourings solves one of the problems of Ghana's textile industry in part.

Additionally, 71% of respondents were single. This further confirms the statics of the age structure of respondents. These respondents stated that, if local textile manufacturers create contemporary designs with flamboyant colours, the Chinese textiles will not be a favoured option. Most young and single respondents stated that they prefer to wear vibrant and colourful textiles with variety of designs. Fig 6 in the appendix shows the marital status of respondents.

The responses given by the 28% married respondents were quite different from that of the single respondents. Traditionally in Ghana, the bride groom presents the bride with textile prints as part of the package presented during their engagement; subsequently, married women most often wear textile apparel. This can be the reason why all 28% of married respondents chose textile print as their most preferred form of clothing. 15.6% of married respondents were above age 35 and receive an average monthly salary above GH. ₵500. This category of respondents, cited quality as the main characteristics they look out for in textiles. Though, they cited archaic designs as a problem with made in Ghana textiles, they barely complained about colours.

Fig 1 in the Appendix shows the different prices respondents are willing to pay for a yard of cloth. 70% are willing to pay between GH₵2 and GH₵5; this

can be attributed to the fact that a large proportion of respondents earn between GH¢101 - GH¢399 (29%) and GH¢400 - GH¢500 (30%). They stated that, local manufacturers should reduce prices to make their textiles competitive. The average salary range of respondents was between GH¢400 - GH¢500 and due to multiple use of this money, "allocation for textile is secondary", said one respondent.

Even though 57% of respondents stated that they prefer textiles as a form of clothing, they cited that, made in Ghana textile prints were expensive hence they prefer secondhand clothing which was more affordable. This is consistent with the finding of Barber and Baden (2005).

4.7 Existing Solutions

The government in collaboration with the Ghana Ministry of Trade have put in place measures to curb smuggling of goods and the influx of sub-standardized textiles from China. This includes:

Western Corridor

The Takoradi Harbour has been made the only hub through which textiles can be imported. To enforce this restriction, a 16 member **Task Force** was inaugurated late last year (2010) to be responsible for thorough inspection at the Harbour and for the seizure and disposal of imported and pirated Ghanaian textiles on the market. The Task Force includes representatives from all the textile companies in the country, Deputy Acting Director of

Communications - Ministry of Trade and Industry (MOTI), Deputy Commissioner (Operations) - Customs and Excise and Preventive Service (CEPS), Legal Chief Collector (CEPS), a representative from Ghana Revenue Authority (GRA) and Assistant Commercial Officer of MOTI.

The textile companies in Ghana have also introduced new brands like Nustyle by GTP and Daviva, Treasure and Prestige by ATL to compete with the aim of fighting Chinese imports.

Chapter 5

Recommendations and Conclusion

5.1 Government Measures

Subsidize manufacturing costs

In China and the US, the government subsidizes production in the form of export rebates, reduced utility tariffs and subsidized cotton to enable manufacturers produce at a reduced cost and price their products competitively. This strategy can be adopted in Ghana, to reduce manufacturers' costs and allow them to produce on a large scale to enjoy economies of scales and price competitively to compete effectively locally and on international markets.

Special loans and Grants

Loan grants should be made readily available at lower interest rates to manufacturers through special arrangements by the government. This is being done in Nigeria to enable manufacturers get access to capital easily to enhance productivity and large scale production. This will enable the manufactures' keep large inventories of textiles and have access to capital to increase output to meet export orders

Enforce Non-tariff Barriers

The Task-force should be empowered and motivated to do their work diligently and honestly to prevent influx of pirated and sub-standardized textiles by avoiding bribery and corrupt practices. To prevent corruption,

cameras, scanners and other equipments should be installed to check processes. Heavy fines should be imposed on culprits or more severely culprits should be fired. Imported textiles should be inspected thoroughly with the use of the right technology and man-power to achieve right results.

Textile Research and Development Resource Centers

China, US and other developed countries benefit from information and findings of textile research institutions which is valuable in creating new designs and finding new means to production. This is important in meeting the needs of modern sophisticated buyers and increase demand.

5.2 Manufacturers Measures

Invest in new technology and Plants

Textile companies should invest in new plants and equipments to enable them increase output, cut down cost in the long run and be more competitive both locally and internationally.

Improve designs and colours

Tastes and preferences of today's sophisticated buyer keeps changing, by improving designs and making colours more vibrant; this will increase demand and make made in Ghana textiles competitive on the market.

Create target markets and Market Textiles

The textile companies understudied do not heavily market their products. This makes their different brands unknown to buyers as though the textile companies were operating in the dark. Textile manufacturers need to embark on re-branding projects that allows them to heavily advertise their products through the right channels to target buyers. Secondly, bearing in mind the earnings of buyers, manufacturers should produce textiles that meet the needs of different consumers in different income brackets.

Find alternative Uses of Textile Prints

Most buyers use textiles prints for garments/ apparel purposes only. This restricts the use of textile prints and narrows demand. Manufacturers need to communicate alternative uses of textile prints to give it a wider scope of purpose. For instance textile prints can be used as bed-sheets, curtains, seat covers, table mat/cloth, bags, interior/ exterior decorations etc. This will increase demand which will inherently affect the profitability margins.

5.3 Conclusion

T&C industries have played a key role in several waves in industrializing the East Asian economies such as: Hong Kong, Singapore, Taiwan, South Korea, Malaysia and more recently China, Indonesia, Thailand and Viet Nam (Hoefter, 2001). Reviving Ghana's textile industry is one major way of diversifying Ghana's export portfolio, creating large employment opportunities and improving general standards of living. There is a huge

market potential for the Ghana textile industry both locally and on the international front. Some of the recommendations outlined are in use in other countries and this has yielded tremendous results. It is critical that government and textile manufacturers understand and implement these measures and strategies appropriately to stimulate and revive Ghana's current moribund textile industry.

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Appendix

Tables

Ghana Textile Print (GTP)-Annual Production Figures

Table 1

Product	2005	2006	2007	2008	2009	2010
Wax Prints	3,098,485	3,308,200	5,841,208	6,530,114	6,716,372	6,046,186
Wax Covers	14,312	6,860	1,572	0	0	0
Block 1	3,190,843	1,901,336	951,314	1,155,936	1,200,028	1,182,446
Block 2	778,347	940,882	644,532	852,964	753,792	952,548
Nustyle	0	788,990	3,006,677	4,923,287	4,647,590	5,224,588
Tabs/Rags	269,827	180,750	192,784	262,128	313,246	257,444
Total Wax	7,351,814	7,127,018	10,638,087	13,724,429	13,631,028	13,663,212
Fancy-Woodin	938,830	850,628	1,782,040	2,056,301	1,832,966	1,878,220
Fancy-Institution	631,903	781,591	1,467,058	1,054,084	1,397,328	1,602,008
Fancy- Diva	1,387,633	1,626,397	1,475,686	1,706,644	1,583,880	1,623,422
Plain Dyed	308,356	219,271	291,754	169,978	211,372	214,830
Bleached Cloth	1,339,373	1,744,098	2,363,348	2,563,594	2,305,882	1,404,300
TOTAL PRODUCTION	11,957,909	12,349,003	18,017,973	21,275,030	20,962,456	20,385,992

Source: Ghana Textile Print (GTP)

Table 2

Summary Statistics of Survey					
	Price Buyers are Willing to Pay	Average Monthly Salaries of Buyers	Characteristics of Textiles that Influence Preference	Preferred Form of Clothing	Marital Status
N	150	150	150	145	150
	0	0	0	5	0
Mean	2.71	3.03	3.32	2.35	1.73
Median	3	3	3	3	2

Source: Research Survey

Figures

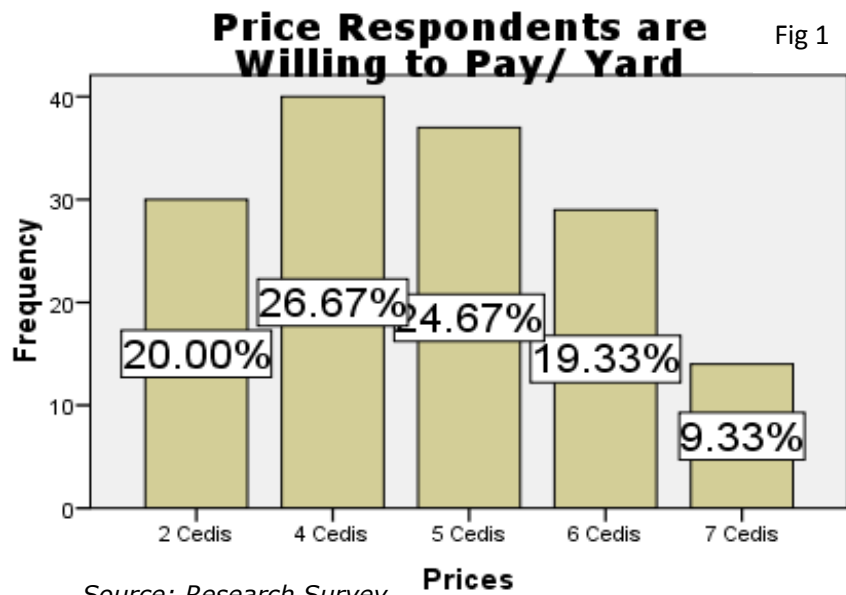
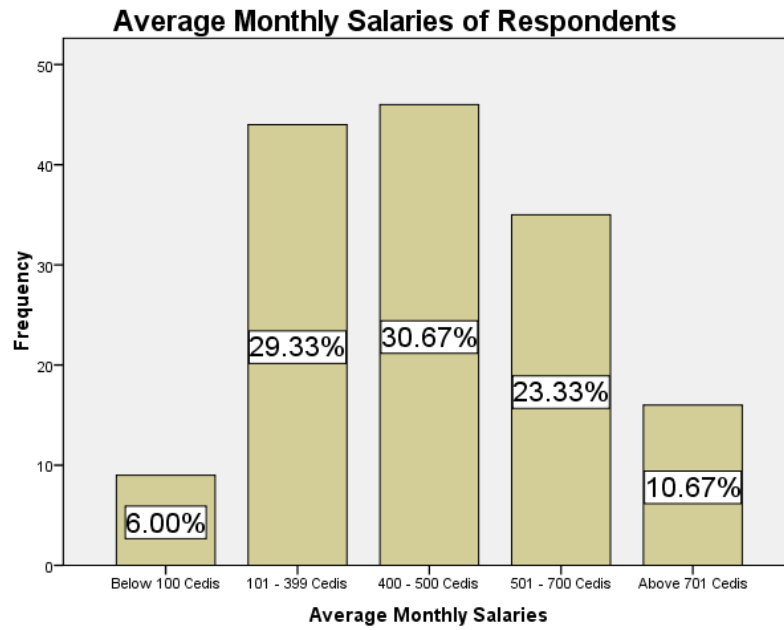
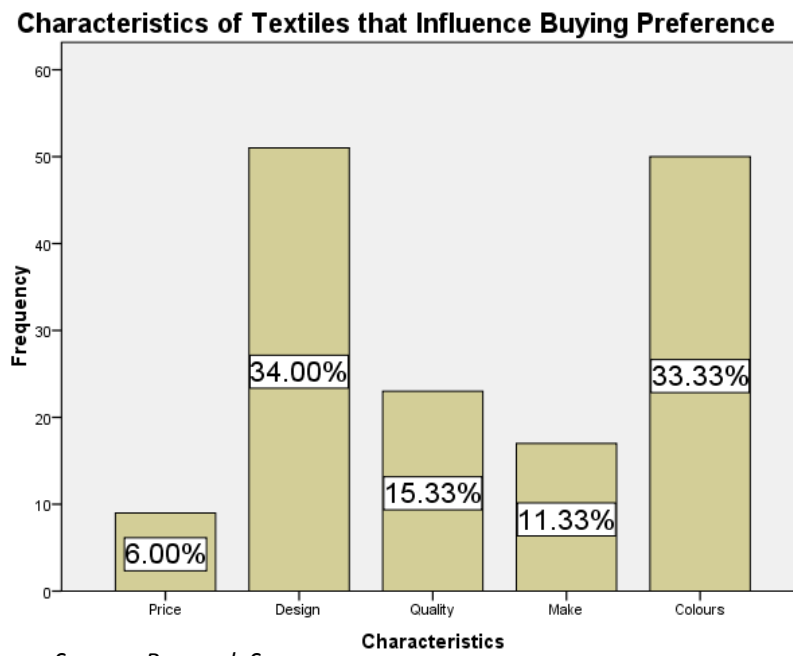


Fig 2



Source: Research

Fig 3



Source: Research Survey

Fig 4

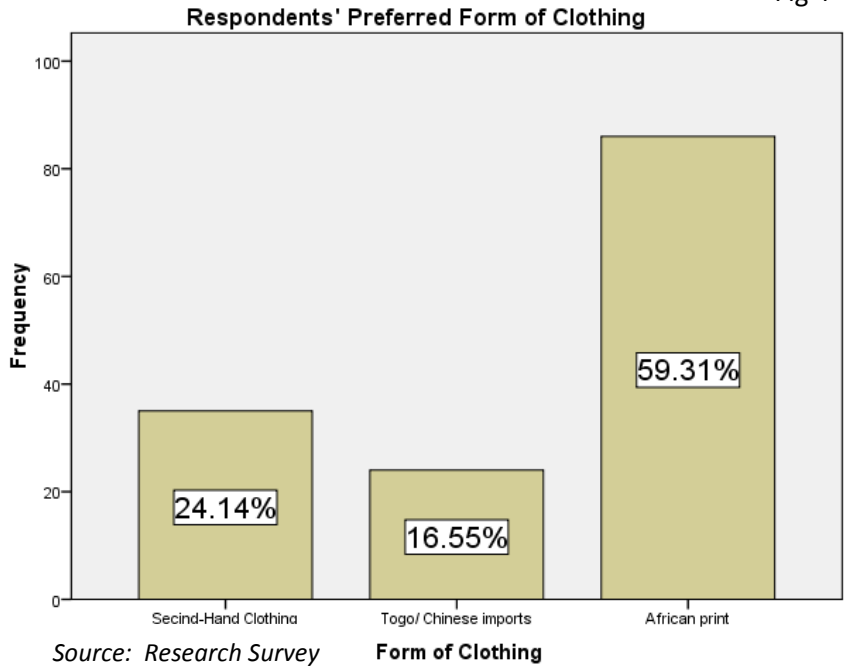
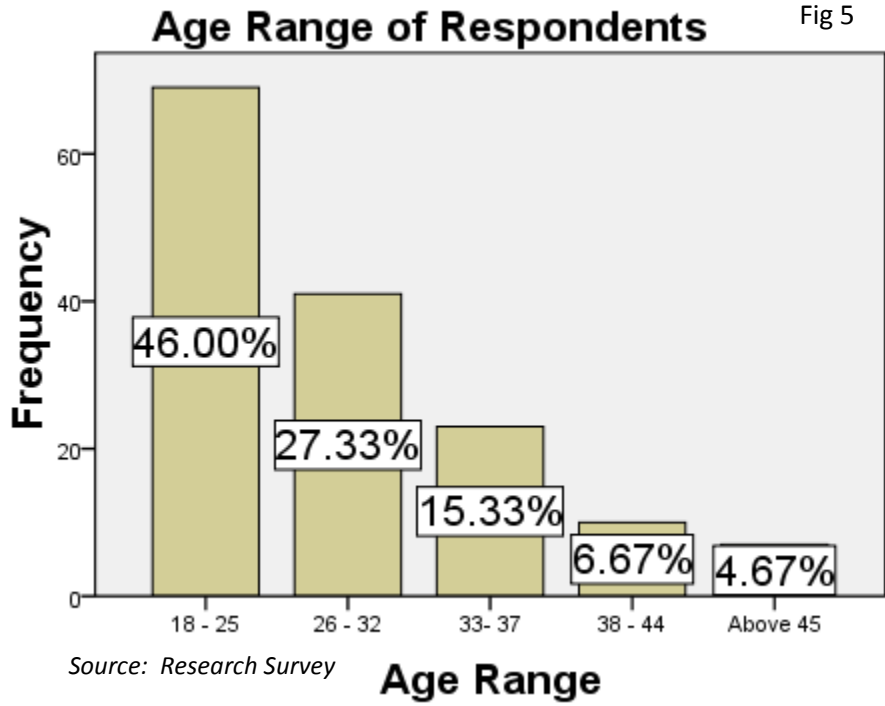
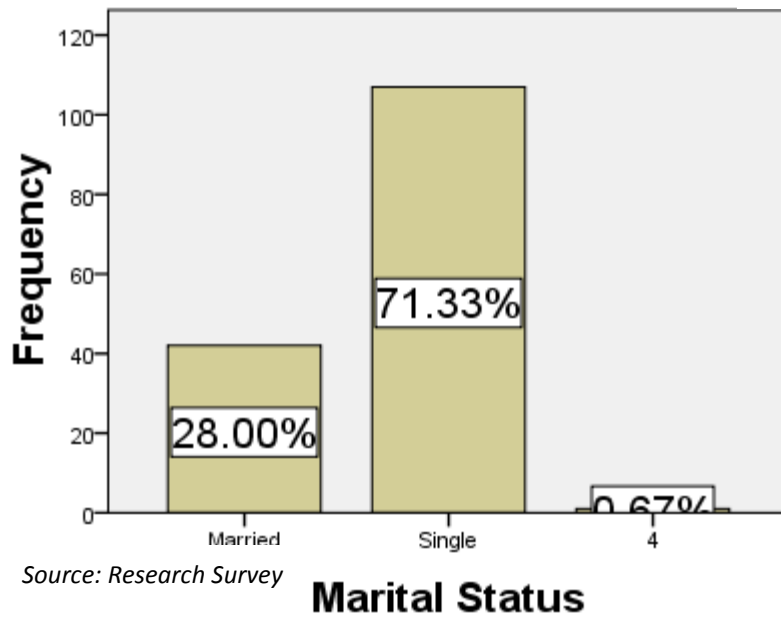


Fig 5



Marital Status of Respondents Fig 6





Interview Guide for Textile Manufacturers

This questionnaire is for an Academic research project. Information provided will be kept confidential and used for the purpose of the research only, Thank you.

1. When was ATL established?
2. Have there been any mergers/ acquisitions since ATL was established? **Yes/ No**
3. If yes, how profitable has this merger/ acquisition been?
4. Which form of textile printing do you currently use? **Flat screen printing/ Digital printing**
5. Why do you use this form of textile printing?
6. How do you design your textiles? **CAD/CAM Systems / Adobe Photoshop**
7. What is the average total number of workers you have had in the past five years
 - (a) How many were casuals
 - (b) How many employees
 - (c) How many managers
8. What is the total number of cloth you have manufactured in the past five years?
9. How much of the total yards have you sold on foreign markets in the past five years?
10. How much of the total yards have you sold on the local markets in the past five years?

11. What are the different products you have offered for sale in the past five years?
12. How much does a yard of each of the different cloths you have offered for sale cost in the past five years?
13. Where do you get your raw materials from?
14. Has there been any major infrastructural change with respect to plant/ machinery? **Yes/ No**
15. If yes, how has this affected productions, profits and sales
16. What is your total plant capacity?
17. What percentage of this plant capacity has been utilized in the past five years?
18. What have your major cost drivers been in the past five years
19. Do you market your products? **Yes/No**
20. If yes, what has the impact been on the demand for your products and your profitability?
21. If no, why not?
22. Have any government policies affected your production and demand? **Yes/ No**
23. If yes, what government policies have affected your operations and the demand for your products?
24. What were the impact/ effects of the government policies?
25. What other factors affect demand for your products and your profitability?

26. What has government in other countries done for its textile industry that has benefited the textile companies?
27. What should the government do to expand your capacity, operations and the demand for your products?
28. What has textile manufacturers in other countries done to increase their production, operations and profitability?
29. What can you, as manufacturers do to increase your productivity, boost demand and profitability?
30. Please state your Gender: Male/ Female
31. What is your position in the company
32. How long have you occupied this position/ role
33. How long have you worked with ATL
34. Can I have the company's cost data for the past five years?

Thank you,
Helen Korley

Glossary

Technical Names

Wax Prints: This has no other colour apart from the base colour.

Wax Products employ the use of three broad base dyeing Systems:

1. Azoic dyeing (Traditional Non Indigo (TNI) base colours)
2. New Non Indigo dyeing (NNI base colours)
3. Vat dyeing (Indigo colour)

Wax Block: This has either of the following

- (i) First colour (always with bubbling)
- (ii) First and Second colours (only first colour has bubbling)
- (iii) U colours (without bubbling)
- (iv) U and 2nd colours are fixed by steaming.

Wax Covers: These are wax products which have additional colours by means of a Roller Printing Machine (RPM) or Rotary Screen Printer (RSP).

Wax Products employ the use of three broad base dyeing:

- a. Azoic dyeing (Traditional Non Indigo (TNI) base colours)
- b. New Non Indigo dyeing (NNI base colours)
- c. Vat dyeing (Indigo colour)

GTP has created seven base colours out of the three dyeing system for designing:

TNI Products:

- i. 740 (Red)
- ii. 751 (Violet)
- iii. 780 (Brown)

NNI Products:

- i. 760 (Blue)
- ii. 771 (Green)
- iii. 790 (Black)

Indigo Products:

- i. 00 (Blue)

The difference between TNI and NNI is that all the NNI colours have the

Phtalogen dyestuff in them while the TNI do not.