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Strategic Options for the Mauritius Textile and Apparel Industry

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About the Report

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The views expressed in this paper are those of the authors and do not necessarily represent those of UNDP, ECA or AfDB.

Acronyms

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
COMESA	Common Market for Eastern and Southern Africa
DBM	Development Bank of Mauritius
EDB	Economic Development Board
EOEs	Export Oriented Enterprises
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU	European Union
EUR	Euro
GDP	Gross Domestic Product
HIC	High Income Country
ILO	International Labour Organization
ISP	Investment Support Programme
MIC	Middle Income Country
MUR	Mauritian Rupee
NMW	National Minimum Wage
NPCC	National Productivity Council and Competitiveness
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
SPF	Strategic Partnership Framework
T&A	Textile and Apparel
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
ECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
US	United States
WAS	Wage Assistance Scheme

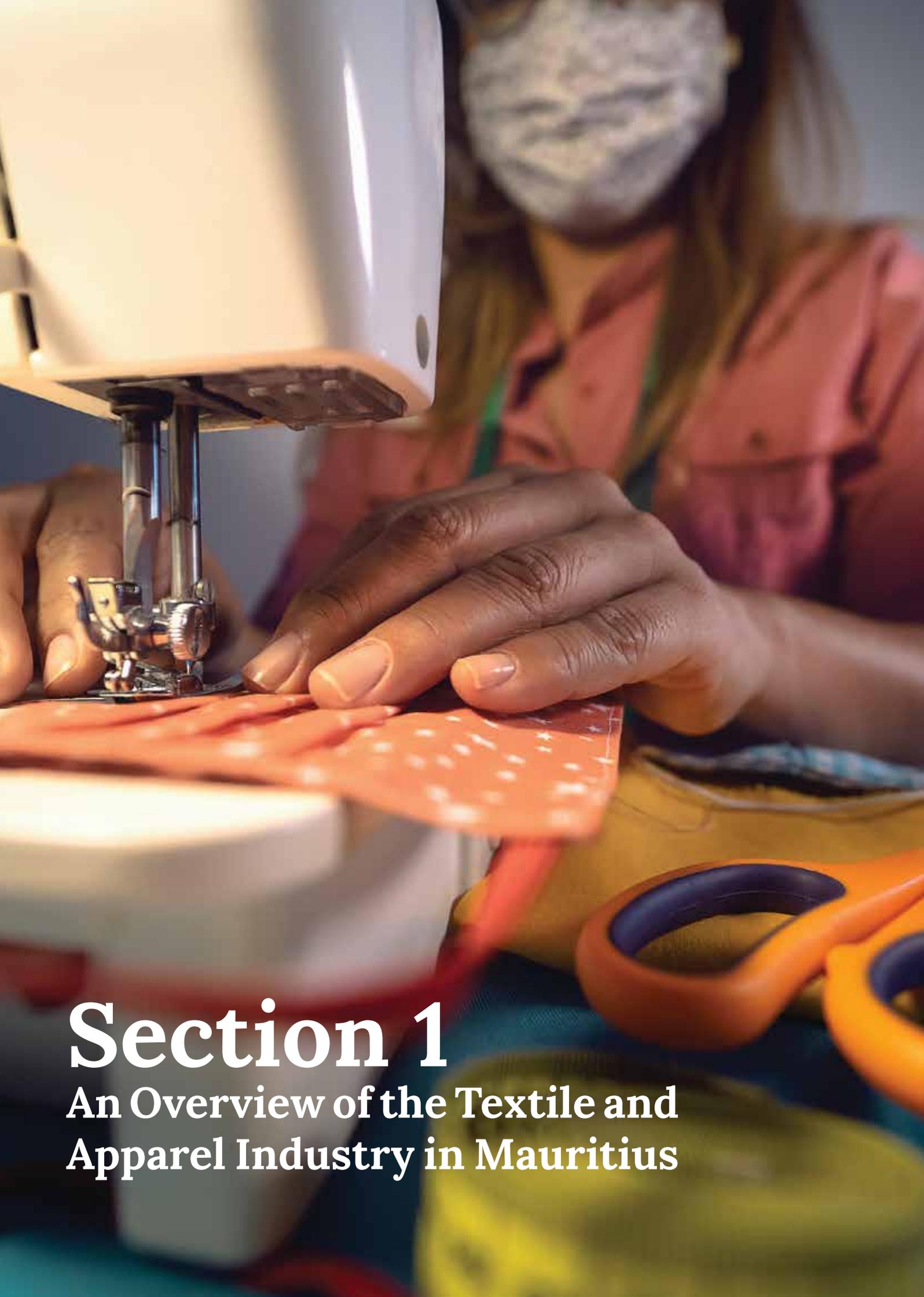
Key Highlights of the Report

The vision of the Ministry of Industrial Development, SMEs and Cooperatives of Mauritius is to have a dynamic, resilient and competitive manufacturing sector that is capable of meeting domestic demand and enhancing exports. The objective is to bring the contribution of manufacturing to 25% of GDP by 2030 which is twice the share of 2019. The Textile and Apparel (T&A) sector has spearheaded the industrialization process in Mauritius and thus remains a pillar of the economy. Although its contribution to the GDP has declined from 6.7% in 2006 to 3.4% in 2019, in 2019 it generated over MUR 22.4 billion (USD 630 million) of export earnings, representing around 43% of domestic exports. Therefore, the sector still has a role to play in translating this vision into actions if the government and the private sector embark on efforts to re-invigorate its competitiveness.

To uplift the sector, this report suggests several entry points.

- **(1) Vertical Integration:** Aim at enabling local textile enterprises to vertically integrate and to improve quality and productivity in order to tap opportunities in the global market. In this regard, the African Continental Free Trade Agreement provides hope for larger markets and making regional manufacturing economically more feasible and sustainable.
- **(2) Bold Educational Reforms:** Bold reforms in the educational system should emphasize fostering innovation, creativity and entrepreneurship. To take the economy forward on a sustainable basis, Mauritius needs to turn to a development paradigm centred on human resources and information technology, with a focus on higher value-added activities. This can be coupled with incentivizing the private sector to provide high quality job-related trainings. Skills-upgrading tailored to industry needs will boost the agility of the sector.
- **(3) Transforming the sector from labour-intensive to a knowledge-based industry:** This is a matter of urgency because value will come from automation, innovation, design, service and branding.
- **(4) Supporting Environmental sustainability:** Environmental sustainability in the sector's production practices is fundamental since the current generation is influenced by social networks on Sustainable Development Goals (SDGs). Any future production practices that do not adhere to environmental sustainability, in addition to social dimensions of sustainable development, may lead to a drastic loss of market.
- **(5) Targeted support to Small and Medium Enterprises (SMEs):** Targeted support to SMEs is crucial in enhancing their competitiveness and enabling them to remain vibrant in the evolving regional and global markets.

The discussion paper composed of four sections, with Section 1 providing an overview of the T&A industry in Mauritius. The section provides a historical perspective of the growth of the sector and its contribution to the country's growth journey. In Section two, the report highlights the state of the sector in the global marketplace and provides some dynamics of its future in the context of the COVID-19 pandemic. Section 3 elaborates areas of engagement that will re-invigorate the sector in Mauritius and provides some insights into the bold steps that are pertinent to the development of the sector. The last section provides a summary of the conclusions and recommendations that are intended to stimulate dialogues on the future of the sector.



Section 1

An Overview of the Textile and
Apparel Industry in Mauritius

An Overview of the Textile and Apparel Industry in Mauritius

1.1 From a sugar-based mono-crop economy to manufacturing

In his study on the Mauritian economy titled “the Economic and Social Structure of Mauritius”, published in 1961, James Meade advocated for the setting up of labour-intensive industries as a solution for diversifying the sugar-based mono-crop economy. Ten years later, the post-independence government launched the Export Processing Zone (EPZ) under which incentives and concessions were provided to export manufacturing enterprises. The main objective of the EPZ was to attract foreign capital and know-how that generally specializes in the production of labour-intensive goods, mostly clothing. The EPZ programme in Mauritius was considered by the World Bank in 1992 as one of the two most successful schemes in developing countries.

It was in the mid-1980s that the T&A industry took off in Mauritius, thanks to a conjunction of several factors. As from 1984, political uncertainty over the future of Hong Kong, the People’s Republic of China, with respect to its re-integration into China encouraged its investors to look for a safe haven. To obtain a Mauritian passport, many came to set up garment factories in Mauritius, bringing capital, marketing networks and technological know-how. They could also tap into a pool of educated and cheap labour that was adaptable for the textile and clothing industry. As a matter of fact, the Mauritian workforce preferred working in factories rather than on sugar plantations.

While Mauritius had been able to attract foreign investment in the textile industry, a substantial amount of investment came from local entrepreneurs themselves. Many joint ventures were formed between locals and foreigners and turned out to be successful partnerships¹. For sure, foreign investment was crucial to the take-off of the clothing industry, but the latter’s success would not have been sustained without the involvement of the local business community. That ‘win-win’ relationship between foreigners and Mauritians has translated into the acquisition of technological transfer and knowledge spill-over, with some large locally owned companies gaining international recognition.

Mauritius had a good learning curve in the garment industry. Local firms were able to learn from foreign ones and even played a leading role. Thus, while EPZ exports in the 1980s were mainly from the foreign firms, they are today from local ones. Such substitutability means that Mauritian firms have been somewhat successful in acquiring design, marketing capabilities², and managerial skills to raise the quality of local garment products.

Apart from the possibility of having a Mauritian passport, other facilities offered by the Government to T&A firms were the non-payment of taxes for the first ten years and then 15 % on dividends; free profit repatriation, duty free imports of raw materials and equipment, no customs controls and subsidized access to industrial buildings built by government and developed by the Development Bank of Mauritius. The provision of state-owned physical infrastructure, such as port, airport, water, electricity and communication facilities and of subsidized utilities was very supportive of the textile export activity. Public administrative services to facilitate import and export were streamlined for the EPZ. Support institutions like the Mauritius Export Development and Investment Authority also played a key role in export promotion.

Preferential trade arrangements positioned Mauritius as a preferred investment destination for the T&A business. Promoters successfully exploited the preferential market access granted by European countries to Mauritius under the Lomé Convention, as Asian textile competitors subject to the Multi-Fibre Agreement (MFA) were constrained by tariff barriers. The European economies were growing quickly, and the appreciation of their currencies vis-à-vis the Mauritian rupee rendered the Mauritian goods more competitive. Mauritius was also enjoying favourable terms of trade with the United States under the General System of Preferences (GSP). The country thus enjoyed a textile boom with the EPZ registering real growth rates of 32.9% in 1984, 30.0 % in 1985, 34.9% in 1986, 22.0 % in 1987 and 12.0% in 1988. By then, the share of EPZ in manufacturing reached an all-time high of 53.4%. EPZ expansion became single digit in the 1990s but still hovered between 5 and 7%. The number of EPZ employees, which were 5,800 in 1973, peaked at 91,374 in 1999, of whom 80,960 in the wearing apparel sector only (including 11,643 foreign workers).

¹ Pierre Yin, *L’île Maurice et sa Zone Franche: la deuxième phase de développement*, Editions de l’Océan Indien Ltée, 1992.

² Aquarelle company designs its shirts and jeans for its clients.

Despite the boom, the T&A sector began to suffer from labour shortages and had to have recourse to foreign workers from China, India and Bangladesh as they were more productive and keener to work longer hours. A study by Lall and Wignara (1998) identified several major obstacles which textile firms started to face in the 1990s. Among them were high interest rates, difficulty in accessing finance for small enterprises, heavy bureaucratic procedures resulting in delays in obtaining foreign investment approvals or work permits for foreign technical staff or refunds on import duties, and high sea freight costs.

The Africa Growth and Opportunity Act (AGOA), which came into force in 2000, offered a breathing space to the Mauritian textile industry by allowing it to export duty-free and quota-free to the United States. Nevertheless, the phasing-out of the MFA, and its coming to an end on 31 December 2004, brought about many factory closures, with the result that the EPZ registered four consecutive years (2002 to 2005) of contraction.

In view of the challenges that the T&A industry was facing, many enterprises were forced to invest and modernize by adopting new technology and to upgrade to higher value-added products in order to move into the upper segments of the market. The number of enterprises and employment declined sharply in 2006 with 226 companies employing 53,583 workers. Redundancies due to the closing down of factories became recurrent, causing massive job losses. By the end of 2019, only 119 enterprises were operating in the T&A industry, employing a workforce of 30,165 local workers and 17,700 expatriate workers. Eight of the T&A companies were listed among the top 100 companies in Mauritius with respect to their turnover (Table 1.1).

Table 1.1: The Eight T&A companies listed among the top 100 Companies in Mauritius in terms of Turnover

Top 8 T&A companies in Mauritius (2019)		Turnover in MUR million
1	CIEL	24,206.40
2	Compagnie Mauricienne de Textile Ltée	6,215.00
3	Firemount Textiles Ltd	2,463.87
4	Esquel (Mauritius) Ltd	2,385.43
5	RT Knits Ltd	1,579.00
6	Denim de L'île Limited	1,539.14
7	FM Denim Co Ltd	979.42
8	REAL Garment	836.90

Source: Business Publications Ltd, 2020



1.2 Contribution of manufacturing and the role of the Textile and Apparel industry

Mauritius is a small open economy that has successfully risen with five economic pillars. From a mono-crop sugar-dominated economy when it gained independence in 1968, Mauritius rapidly developed its manufacturing sector in the 1980s and afterwards its services sectors, namely tourism and financial services in the 1990s, and the information and communication technology (ICT) services in the 2000s. However, the industrial structure has not been upgraded at a commensurate pace. The skills and technology bases remain weak, and productivity has not grown in line with rising wages. Consequently, textile manufacturing remains concentrated in low value-added activity. The share of high skill products for Mauritius was 2.7% in 1980 and 5 % in 1992, which showed “an overwhelming and continuing dependence on low skill exports⁴”. Textile manufacturing has shrunk in size contributing only 3.4% of GDP in 2019 compared to 6.7% in 2006, as a result of the development of tourism (8.1%), financial services (11.8 %) and ICT (5.8%) activities⁵. Over the same period, textile value addition in manufacturing fell from 37% to 27 % and was forecasted by Statistics Mauritius to contract further by 45% in 2020 following the devastating impact of the COVID-19 pandemic and register modest recovery in 2021.

The growing forces of globalization and trade liberalization have taken their toll on the industry while its internal causes of decline are mainly the rising costs of labour and other costs of doing business. The industry has failed to compete against large global textiles players like China and Vietnam. The pace of restructuring and diversification has been relatively slow, and the penetration of new markets limited. Besides the elimination of trade preferences, the sector has been affected by increased competition from low-cost manufacturers and high air and sea freight costs and maritime transport costs compared to countries competing in similar markets⁶, on account of its positioning outside of the main sea routes. The operational challenges faced by the industry have induced many factories to relocate to Madagascar and Bangladesh (Box 1.1).

BOX 1.1 Trade policy measures used by China to transform its T&A industry

China is the largest textile producing and exporting country in the world. China total share of global trade in the textile and apparel sector is close to 40 per cent. The great expansion of clothing export of China was encouraged by the national policy that shifted from import-substitution towards an export-orientation trade policy. China introduced free competition in textiles as early as the 1980s, which led to a deregulated and decentralized textile industry. China’s approach to textile and apparel development is two-tiered. The government uses tax policies, subsidies and other mercantilist measures to boost the production of high-end textile products, while Chinese low-end textile companies relocate their production bases to China’s trading partners among LDC’s and profit from the free trade initiatives (FTA’s) and other trade deals that these LDC’s set up with the West. Similarly, Mauritius has shifted its low labour quality production to Madagascar to benefit from abundant and cheap labour to expand its production base.

1.2.1 Trends in employment

Following many firm closures, export-oriented enterprises (formerly EPZ companies) have witnessed a substantial reduction in the number of employees from 52,172 in December 2017 to 44,160 in December 2019 (8% of total employment), including 30,970 workers for the textile and wearing apparel sectors. Export-oriented enterprises then employed 21,105 females (47.8% of workers), of whom 13,044 in wearing apparel (47.3% of the total sub-sector)⁷. As at end of March 2020, a total of 30,165 people (including 17,371 expatriate workers) were employed in 84 wearing apparel enterprises⁸ and in 23 firms engaged in the manufacture of textile yarn and fabrics (Table 1.2).

According to a survey conducted by the Human Resources Development Council (HRDC), the abrupt closure of factories in 2012 and the fact that retrenched workers deprived of compensation in many cases had tarnished the image of the textile industry and the morale of employees. Job insecurity and low pay has led to a high rate of absenteeism. Long working hours and overtime did not motivate local workers to join the textile industry. Many factory labourers had shifted to the tourism industry to work as cleaners and attendants in a relaxed and enjoyable hotel environment. Factories had no other choice than to recruit unskilled workers and to invest in upgrading the level of skills and in promoting work ethics.

⁴ Figures provided by Lall and Wignaraja (1998).

⁵ Statistics Mauritius, National Accounts Estimates (2016-2019), June 2020.

⁶ According to the director of the Mauritius Export Association, the maritime connection between Port Louis and Mombasa, via Durban or Colombo, takes on average 35 days and costs USD 2,000, compare to 7 days and USD 900 for the connection between India and Mombasa (week-end, 13 September 2020).

⁷ Statistics Mauritius, Export Oriented Enterprises 2019, March 2020.

⁸ There were 326 wearing apparel enterprises in March 1992.

Table 1.2: Employment in Textile and Apparel Export Oriented Enterprises*

Year	Employees
March 1992	82,172
March 1997	71,207
March 2002	76,032
March 2007	54,903
March 2012	40,664
March 2017	39,016
March 2020	30,165

Source: Statistics Mauritius, 2020

* Including foreign workers

1.2.2 Trends in exports

The exports value of articles of apparel and clothing has dropped below the MUR 20 billion mark since 2017 and reached MUR 18.5 billion (USD 0.5 billion) in 2019, representing 36.3% of domestic merchandize exports⁹, but valued at 7.7% of local exports. The T&A continues to remain significant within the manufacturing sector.

As a share of total export, the turnover of T&A exports declined from 60.3% in 2016 to 52.6% in 2019. A 65% decrease in exports of articles of apparel and clothing was observed in the second quarter of 2020 compared to the corresponding quarter of 2019 as a result of the COVID-19 crisis, or a 40% drop between the first semester of 2019 and that of 2020¹⁰, following massive cancellations, discounts for customers and closures¹¹.

1.2.3 Trends in investment

The centrepiece of the Government’s industrial development policy in the 1970s was the advent of the EPZ to attract FDI in labour-intensive manufacturing for exports to accelerate the country’s diversification into textiles. In the mid-1980s, the EPZ made up two thirds of all FDI inflows, mainly from Asia, and concentrated on knitwear and garments manufacturing, which helped lower unemployment rates drastically. However, the first half of the 1990s witnessed a slowdown of FDI in the EPZ: FDI flows in manufacturing declined from an annual average of USD 12.8 million in 1985-1989 to USD 8.4 million in 1990-1997. Over the last eight years (2012 to 2019), manufacturing had attracted less than 5 % of FDI, in part accounting for the contraction of manufacturing for the past five consecutive years (Figure 1.1). However, the overall investment rate remained high in the 1990s, mainly from domestic industries re-investing earnings.



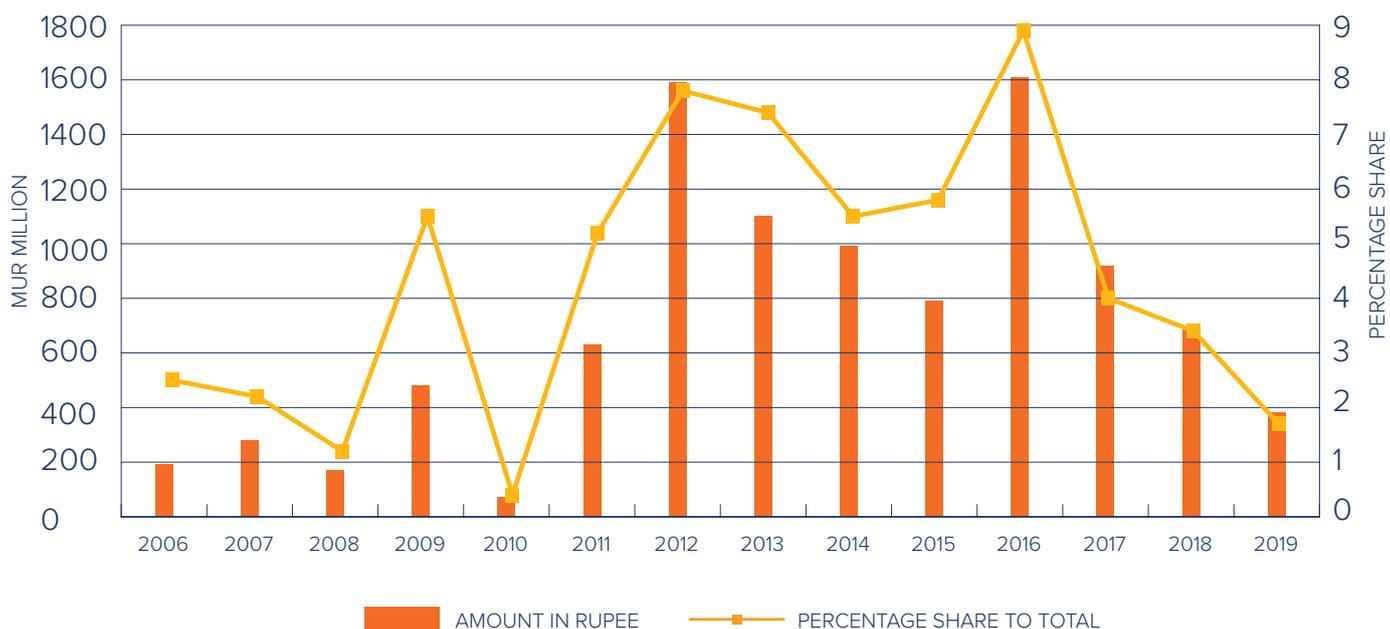
⁹ Statistics Mauritius, External Merchandize Trade Statistics 2019.

¹⁰ Statistics Mauritius, Export Oriented Enterprises 2nd Quarter 2020, September 2020.

¹¹ Figures obtained from meeting with industrial manufacturers

Source: Statistics Mauritius

Figure 11: Gross Direct Investment Flows in Manufacturing



Source: Bank of Mauritius

1.3 Implications of COVID-19 for the Textile and Apparel industry

Mauritius has successfully contained the spread of the COVID-19 pandemic, but economic disruptions associated with it have been enormous, given the country’s heavy dependence on external trade. With the extension of the lockdown periods in Mauritius’ main markets, namely South Africa until mid-August, a prolonged partial lockdown in the UK, France, Spain and Italy and the persistent epidemic in the US, exacerbated uncertainties for businesses. Manufacturers in the T&A sector confirmed a sharp fall in orders by 40-70%³⁴, cancellation of orders, delayed payments and reduced capacity utilization, except for a few big manufacturers that registered a 40% growth in sales to online stores that remained operational. Furthermore, with almost two months of delays, many orders had to be delivered by air in order to avoid cancellations, contending with the high cost of airfreight that had tripled. According to a survey conducted by the Mauritius Export Association, the pandemic affected about 70% of export manufacturers, mostly in the T&A industry. Because of the worldwide demand shock, production in the Mauritian T&A industry is currently operating at 60% of its capacity.

As part of austerity measures, the Government’s Plan de Soutien has been instrumental in cushioning the private sector from the impact of the pandemic. As part of the comprehensive measures, the Equity Participation Scheme (EPS) has been instrumental in enabling enterprises to manage their financial difficulties in the aftermath of the pandemic. Several measures including: waiver of Port dues and terminal handling charges for exports from July to December 2020, and a reduction by 50% for the period January to June 2021; and extension of the investment tax credit of 15% to all manufacturing companies, have been effective in keeping the manufacturing sector afloat. The Export Credit Insurance Scheme now covers all domestic exports, the Freight Rebate Scheme for exports to Africa is maintained, and the Trade Promotion and Marketing Scheme henceforth includes exports to Japan, Australia, Canada and the Middle East, in addition to Africa, Europe and the United States. The 40% rebate on air freight to major world markets and the 25% refund of the basic sea freight costs for exports to Africa, Madagascar, Seychelles, Comoros and Reunion Island help the Mauritian exporter reach clients in the shortest lead time and thus enhance their competitiveness.

1.4 Constraints faced by the Textile and Apparel industry

Prior to the COVID-19 crisis, the Mauritian T&A sector, operating in a highly competitive world market, was facing a number of constraints that impeded its competitiveness, namely the rising costs of labour and energy prices, in addition to subdued demand from trading partners, modest private investment and lack of skilled labour. Substantial depreciation of the rupee vis-à-vis major currencies has helped to preserve the international competitiveness of the apparel products and has more than nullified the relatively high increases in all domestic related costs associated with this sector. Otherwise, many firms have reviewed their business model with small orders, just-in-time production and speed-to-market. While big exporters have fared well, very few small and medium entrepreneurs have joined the league of high-quality product exporters.

1.4.1 Labour

The T&A sector has historically been one of the biggest employers in Mauritius, but recent trends have seen a shift of labour to hotels and other service sector entities where work conditions are less strenuous. The pool of low-cost and adaptable labour in the 1980s enabled the take-off of Mauritian textile manufacturing, but skills development has not kept pace with the growing sophistication of the industry, leading to shortages of labour in some critical areas. While most large firms have skills development programmes, SMEs have not invested in their labour due to the high costs involved and the high turnover of staff. Textile companies provide training for specific skills such as cutting, dyeing, equipment maintenance and merchandizing¹². Labour challenges in the domestic market have forced firms to rely on foreign labour¹³. Expatriate employment in the T&A sector reached 19,225 in March 2019 but fell to 17,371 in March 2020 compared to 12,794 local workers¹⁴.

Over the 2012-2019 period, the average compensation of employees of textile-oriented enterprises increased by 5.3% annually, while the productivity of labour declined at an average of 2.5%, undermining the competitiveness of the industry (Figure 1.2). With the introduction of the national minimum wage (NMW) in December 2017, average compensation of employees in the textile sector jumped up by 8.5% in 2018 and by 13.6% in 2019, hence a cumulative increase of 23.3% over the last two years. The minimum wage could have been awarded in a phased manner to give enough time to the textile firms to adjust and boost productivity. While the flagship textile companies can absorb the increases in costs through new orders, higher prices of their products or better labour productivity, SMEs¹⁵ are mostly price-takers, partly explaining the closure of many textile factories.

Figure 1.2: Export Oriented Enterprises Textile Subsector



Source: Statistics Mauritius

¹² According to the manufacturers surveyed.

¹³ Foreign workers first came mostly from China, then India, Sri Lanka, Bangladesh, Madagascar and now Nepal.

¹⁴ Initially, employers had to comply with a ratio of 1 foreigner for 3 Mauritians, but it was not enforced by the authorities. Some factories have only foreign labour.

1.4.2 Productivity

The production cost per minute is increasing¹⁶. With the automation of data processing and emphasis on logistics efficiency, productivity gains can be derived from reduced time at processing orders. A key performance indicator is value creation per employee. Over the 2009-2019 period, capital productivity posted an annual growth rate of 3.5%. However, the index of capital productivity (Table 1.3) came down after 2015, and the same trend was observed for labour, implying lower value addition of the T&A sector per unit of labour and capital for four consecutive years.

Similarly, the multifactor (total factor) productivity, which takes into account qualitative factors such as better management and improved quality of inputs through training and technology, has posted an average annual change of 2.5% over the past ten years, but registered a sharp decline from 2015 to 2018. Although it rebounded by 5.1% in 2019, the index of multifactor productivity remained below its 2013 level. Decreased growth in multifactor productivity means less productive efficiency, which could be the result of misallocation of resources in the industry. This situation can be explained by declines in labour and capital productivity.

Table 1.3: Productivity trends in the textile export-oriented enterprises subsector

Year	Annual growth rate of Labour Productivity Index	Annual growth rate of Capital Productivity Index	Annual growth rate of Multifactor Productivity Index	Annual growth rate of Unit Labour Cost (rupee) Index
2008	8.4	0.3	5.1	2.8
2009	8.6	8.9	8.9	7.0
2010	8.6	11.3	9.8	2.8
2011	8.0	12.5	9.5	1.9
2012	2.5	9.2	4.4	2.6
2013	2.6	9.6	5.0	0.8
2014	3.2	2.4	2.9	-1.1
2015	-1.2	0.1	-0.8	6.5
2016	-5.2	-4.5	-5.6	8.1
2017	-0.4	0.9	-0.3	1.9
2018	-3.4	-4.3	-4.2	12.3
2019	6.7	-0.9	5.1	6.4

Source: Statistics Mauritius

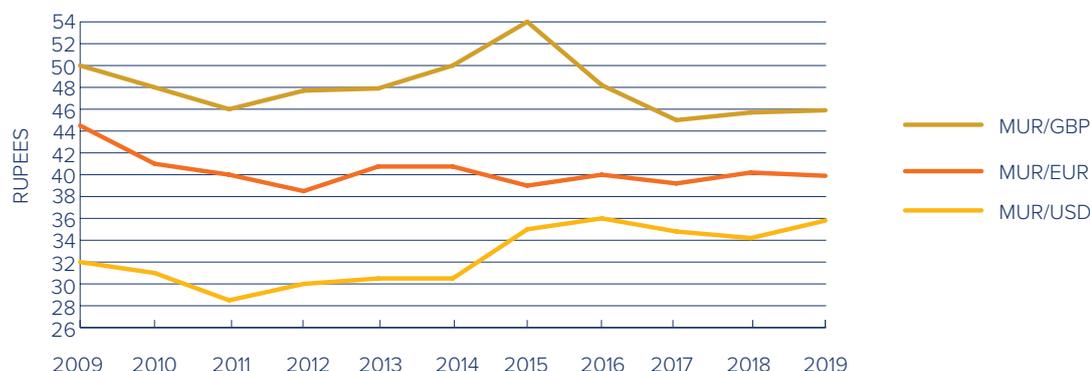
1.4.3 Exchange rate differential

The payment for the bulk of imported inputs by the textile firms is made in US dollars whereas those exporting to the European Union receive their proceeds in euro, based on quotations made six months prior to shipment. Thus, a critical issue confronting the Mauritian textile exporters is the financial loss resulting from the exchange rate of the rupee vis-à-vis a depreciating euro and an appreciating US dollar. The exchange rate differential loss was more marked from 2013 to 2015 (Figure 1.3). Only some companies that buy imports and sell their exports mostly in US dollars have been less exposed to the effect of exchange rate fluctuations. The slide in the pound sterling since the Brexit referendum in 2016 has put additional pressure on the export receipts of enterprises that export to the United Kingdom. From an average of MUR/GBP 53.74 in 2015, when 21% of the Mauritian T&A exports were destined to this market, the exchange rate dropped to MUR/GBP 44.87 in 2017, hence an appreciation of 16.5% of the rupee against the pound. The UK contribution to Mauritian exports decreased to 16% in 2019 because of the fall in price competitiveness.

¹⁵ They are represented by the Textile and Apparel Manufacturers Association.

¹⁶ Statistics Mauritius, "Digest of Industrial Statistics 2018".

Figure 1.3: Exchange Rates: Mauritian Rupee per foreign currency unit (Average buying and selling rates)



Source: Statistics Mauritius

1.4.4 Innovation capabilities

Ranked 49th in 2015, Mauritius fell to the 82nd position in the Global Innovation Index (GII) 2019 among 129 countries, behind South Africa (63rd) and Kenya (77th)¹⁷. True, Mauritius has rebounded to the 60th position in the GI 2020 and topped the African league¹⁸. Nonetheless, the T&A sector lacks capacity building in the field of Industry 4.0. The stagnancy in R&D investments at 0.2% of GDP and the decline in national productivity illustrate the fact that Mauritius is not innovative enough to boost overall growth beyond 4% in the long run¹⁹.

BOX 1.2 Lessons and best practices from Germany's T&A sector for Mauritius

BOX 1.2: Lessons and best practices from Germany's T&A sector for Mauritius

Germany offers an example of an advanced economy that has sustained manufacturing as a relevant source of employment, growth, and exports. Medium and high-technology industries account for a larger share of 58 per cent of the manufacturing sector total output in Germany as compared to 42 per cent in the United States. This is due for three reasons: 1) 86 per cent of private-sector R&D occurs in manufacturing, much higher than other developed countries. 2) Germany translates research into new products and technologies more effectively. Thirdly, Germany's ability to translate research into new products derives from its rich base of graduates in STEM (science, technology, engineering, and mathematics) fields. In a ranking of 36 OECD countries on their share of graduates in STEM fields, Germany ranks highly. Germany presents a good case study for Mauritius that seeks to develop its T&A industry through technology innovations. In following the German model, Mauritius needs to match its strengths that the T&A industry exhibits focusing on training in science, technology, engineering, and mathematics especially in the textile and apparel manufacturing with the support of the private sector to undertake R&D in the T&A industry

Source: Statista Consumer Market Outlook, 2020.

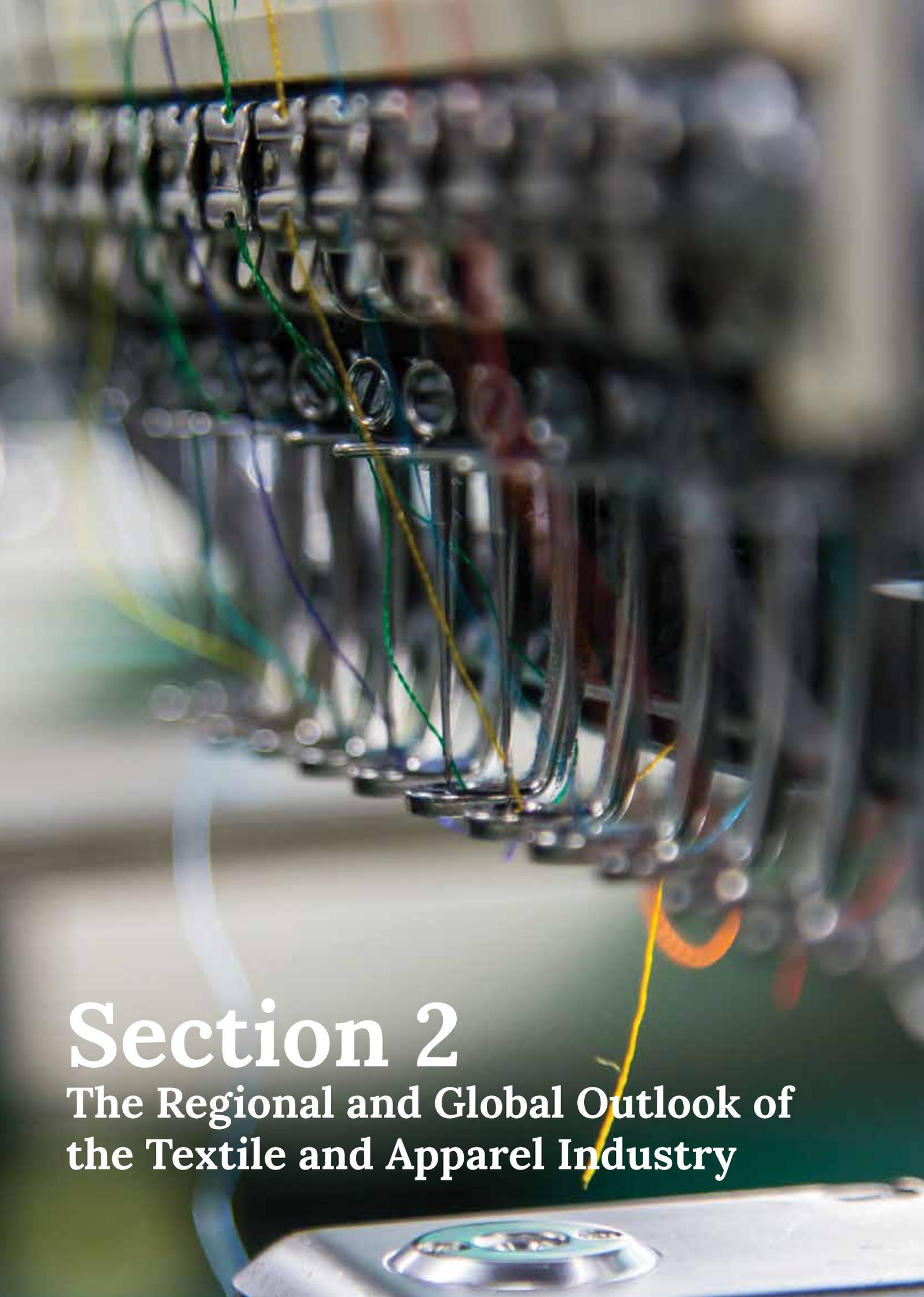
1.4.5 Vulnerability of SMEs

Beset by their low resource base, SMEs have difficulties to survive, let alone to thrive, to move into exports and to take advantage of new opportunities in the regional markets. They are perennially constrained by cash flow challenges, unfavourable rates of interest, inability to attract skilled labour, high costs of rent, lack of industrial spaces, and exchange rate volatility, among others. SMEs that are in the textile sector are followers, not trend-setters. SMEs do not invest in technology. They are not technology-led they are just surviving. Compounded by the COVID-19 pandemic, they are struggling to remain operational and to fill in their order book. Those that have remained operational have survived on account of the Government's austerity measures, and continued operation of larger firms that sub contract them to serve the external market.

¹⁷ GI, a benchmark for nations' innovation capabilities, measures innovation based on a combination of innovation inputs (institutions, human capital and research, infrastructure, market sophistication and business sophistication) and innovation outputs (knowledge and technology outputs and creative outputs) in a society.

¹⁸ Major improvements have been observed for the following pillars: a) Institutions – Gain of 40 positions from rank 62 to 22; b) Human Capital and Research – Gain of 12 positions from rank 77 to 69; c) Market Sophistication – Gain of 27 positions from rank 43 to 16; d) Knowledge and Technology outputs – Gain of 37 positions from rank 116 to 79; e) Creative Outputs – Gain of 30 positions from rank 73 to 43.

¹⁹ Annual real GDP growth has remained below 4.0 per cent since 2011.



Section 2

The Regional and Global Outlook of
the Textile and Apparel Industry

The Regional and Global Outlook of the Textile and Apparel Industry

2.1 Global trends in perspective

Global merchandise trade grew by about 50%, from USD 12,563 billion in 2009 to USD 18,889 billion in exports in 2019,²⁰ but is projected to decline by about 3% in 2020 due to the impact of Covid-19.²¹ Africa's share of all trade has stayed very low compared to other regions of the world and declined from 3.5% to 2.5% from 2008 to 2019^{22,23}. Before the current downturn, the global T&A industry was growing at a healthy rate. The apparel market realized a total revenue of USD 1.8 trillion worldwide in 2019²⁴. With 51 % market share, women's apparel was the largest segment of the apparel market with USD 926 billion revenues in 2019, followed by men's apparel segment (USD 587 billion). The smallest segment was the children's apparel with revenue of USD 289 billion. The top eight apparel exporters in 2018 were China (USD 175 billion), European Union (USD 112 billion), Bangladesh (USD 26 billion), Vietnam (USD 22 billion), Hong Kong, China (USD 18 billion), the United States and Mexico (USD 9.3 billion each), and Turkey (USD 7.0 billion). For the textile sub-sector in 2019, China, European Union, Bangladesh, Vietnam and India were the leading exporters.²⁵

The European Union (EU28) was the leading importer of textiles worldwide, with textile imports valued at approximately USD 67 billion in 2019²⁶, followed by the United States and Vietnam at \$31 billion and \$16 billion respectively. But for a single country, with USD 31.9 billion, the United States was the single biggest importer accounting for 9.4% of the total import value in 2018. The T&A industry is now a highly mechanized industry especially in the global north. Germany leads in the export of textile machineries, but it is significant that there is no African country in the top ten exporters, signifying low technology-intensive T&A production on the continent²⁷. Similarly, the global T&A industry has adopted high technology and is employing an increasingly skilled and remunerated human resource, but Africa is still generally lagging behind in this area as exemplified by low salary growth rates in most African countries.²⁸

The COVID-19 pandemic has played out economically as an external shock to production and consumption resulting into major supply chain disruptions in the T&A industry²⁹. The immediate effect has been on face-to-face commerce due to store retail closures as well as shutdown of manufacturing plants and disruptions in shipping. The pandemic therefore is expected to impact both the supply and demand side across the board. There were disruptions to producers taking their produce to market but also consumers trying to access products because of stores and market closures. The World Bank (2020) indicated that the immediate effect of COVID-19 on the sectors including T&A was a drop in commodity prices. The major catalysts of the COVID-19 effects on the textile industry are increased transport costs, disruption in global supply chains through either "reshoring" (moving business back to the home country) or "nearshoring" of production and increased substitution among commodities³⁰. In a worst-case scenario, there is a likelihood that commodity trade agreements during and post-COVID-19 may collapse and worsen the already fragile economic and trade situation. The United Nations Economic Commission for Africa (ECA) notes, for instance, that major African exports including oil, textiles and fresh cut flowers have crashed due to COVID-19³¹.

Globally, the apparel market is expected to witness a COVID-19-related revenue decline of 6%³². In the European Union for example, the T&A sector is forecasted to face a potential 50 % drop in sales for 2020³³. While garment factories around the world are slowly resuming operations, companies are facing challenges for ramping up production, such as higher costs and continuing shortfalls of raw materials. These effects have been felt throughout the supply chain with falling cotton prices which have hit their lowest since the 2008 financial crisis³⁴. Trade has been hit especially because of the decrease in demand from major economies, which has emerged as the major limiting factor for trade. Falling production and sales have had a significant knock-on effect on workers, both in terms of employment and working conditions.

²⁰ WTO, 2020. *World Trade Statistical Review, 2019 & 2020* Accessed at https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020_e.pdf

²¹ <https://bi.wto.org/pentaho/api/repos>

²² WTO, 2020. *World Trade Statistical Review, 2019 & 2020* Accessed at: https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020_e.pdf and *World Trade Outlook, 2020*.

²³ WTO, 2020. *World Trade Statistical Review, 2019 & 2020* Accessed at https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020_e.pdf

²⁴ Statista Consumer Market Outlook 2020

²⁵ WTO and Statista, 2020

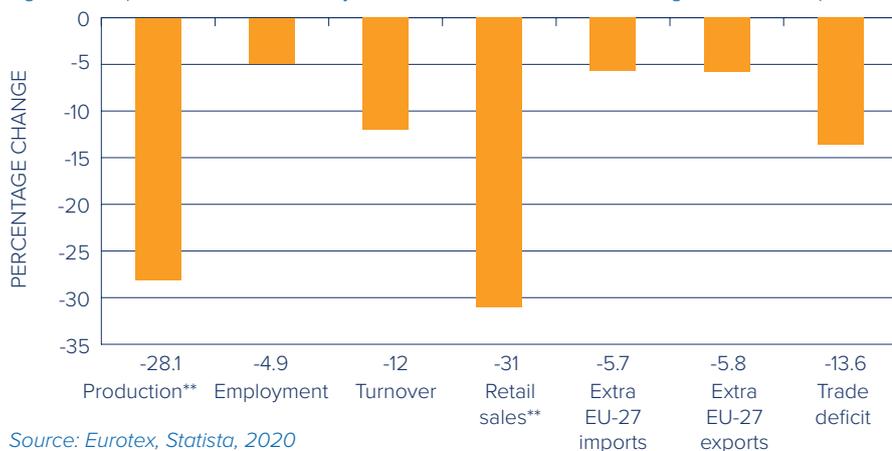
²⁶ WTO and Statista, 2020

²⁷ German Textile and Machinery Association (VDMA) 2015; Statista, 2020

²⁸ Economist Intelligence Unit; Korn/Ferr, Statista, 2020

In 2020, the pandemic is expected to result in a 28% decrease in production and a 31% decrease in retail sales plus other effects on other indicators (Figure 2.1). The same effect is expected to be felt in the textile sector where the pandemic is expected to result in a 16% decrease in production and a 31% decrease in retail sales plus other effects on other indicators (Figure 2.2).

Figure 2.1: Impact of COVID-19 on key Structural Indicators in the Clothing Sector in Europe in 2020



Source: Eurotex, Statista, 2020

Figure 2.2: Impact of COVID-19 on key structural indicators in the textile sector in Europe in 2020



Source: Eurotex, Statista, 2020

The same effects are expected in other T&A producing regions such as Asia and the US. Some apparel and footwear employers' organizations in the United States have asked for temporary tariff relief and increased access to capital and credit to ensure payment of salaries affecting four million workers in the supply chain. Many other companies are repurposing garment and textiles production to produce facemasks and other personal protective equipment (PPE). The COVID-19 crisis has necessitated a wave of emergency responses from governments, employers and workers in the T&A industry. The measures include stimulating the economy and labour demand, supporting enterprises jobs and incomes, and protecting workers in the workplace; and reliance on collective bargaining and social dialogue for solutions. Some T&A producing countries have offered direct support for the garment sector, for instance, the governments of Myanmar, Bangladesh, South Africa and Mauritius have unveiled stimulus packages targeting the garment sector³⁵.

While COVID-19 would cause an estimated 6% decline in apparel market revenues, overall, the industry is expected to continue to grow. The global textile mills market is forecasted to reach USD 2.3 trillion in 2025, growing from USD 1.8 trillion in 2019, a growth rate of 27% and annual average growth rate of 4.3% (Figure 2.3).

²⁹ UNECA, 2020. COVID-19 in Africa: Protecting lives and economies. Accessed at: https://www.uneca.org/sites/default/files/PublicationFiles/eca_covid_report_en_24apr_web1.pdf.

³⁰ World Bank, 2020. Commodity Markets Outlook. Implications of COVID-19 for commodities. Accessed at: <https://openknowledge.worldbank.org/bitstream/handle/10986/33624/CMO-April-2020.pdf?sequence=9&isAllowed=y>

³¹ UNECA, 2020

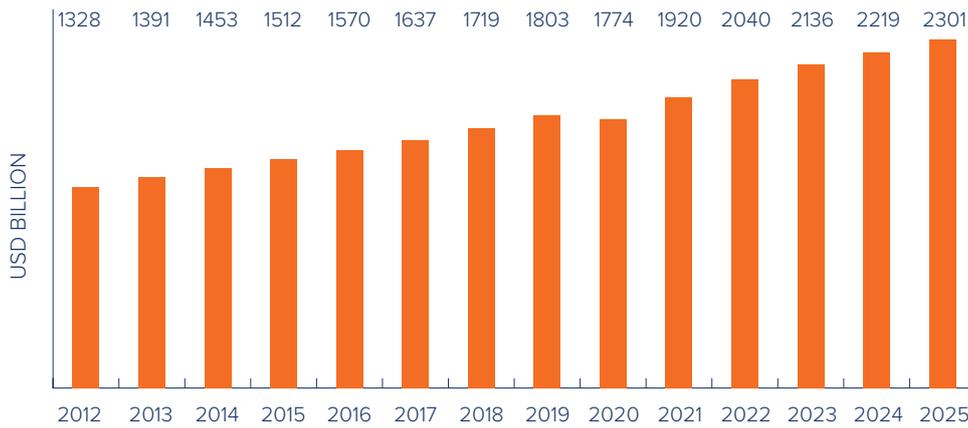
³² Statista Consumer Market Outlook 2020

³³ Eurotex, Statista, 2020

³⁴ International Labour Organization (ILO), 2020. COVID-19 and the textiles, clothing, leather and footwear industries. ILO Sectoral Brief

³⁵ International Labour Organization, 2020. Decent Work in the Garment Sector Supply Chains in Asia: Recommendations for garment manufacturers on how to address the COVID-19 pandemic, ILO Brief

Figure 2.3: Global Apparel Market Revenues

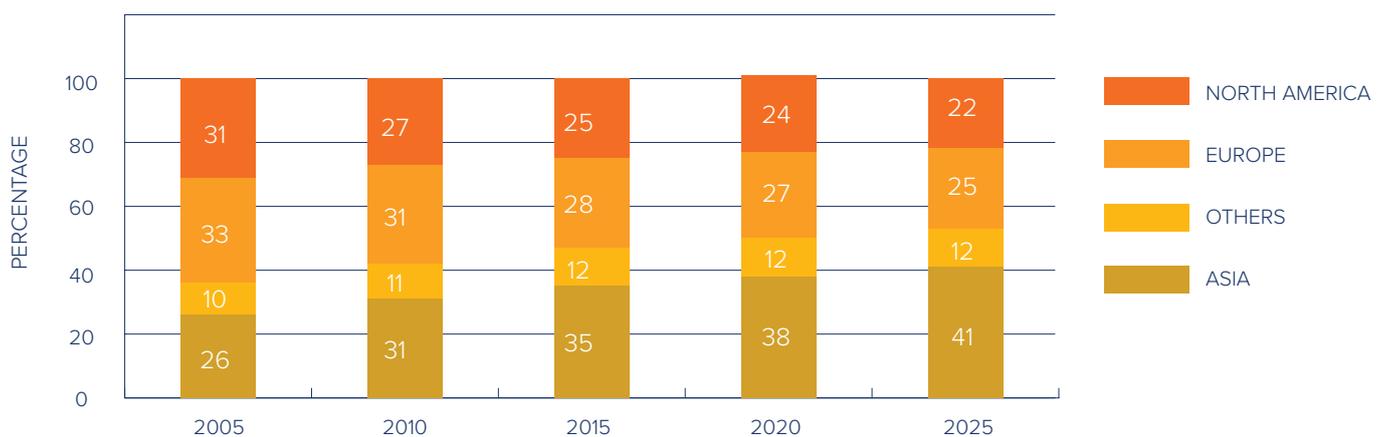


Source: Statista Consumer Market Outlook 2020

Most of this growth will be concentrated in Asia and the US although other regions are catching on³⁶. The segment of men’s apparel is projected to grow the most, in total by 29%, followed by women’s and children’s apparel with 27% and 26% respectively over the same period. Therefore COVID-19 is not expected to cause a reversal of long-term trends, but a dissipation of the pandemic-induced shock over the next years can be anticipated based on the evolution of consumer’s buying moods and new trends. These forecasts are dependent on governments’ ability to flatten the curve of infections, the post-pandemic economic outcomes and labour market situations. With a second wave “or continued high levels of infections underway in some major markets, further downgrade is possible before the end of 2020”³⁷. The trend in this growth will favour internationally vertically integrated chains³⁸.

Globally, consumers spending on clothing and footwear up to 2025 is one of the fastest, coming only second to communication growing at 3.2%, which bodes well for the prospects of the industry³⁹. Fashion spending would grow slightly faster than other consumer categories until 2025. A key development and consideration for countries intent on cashing in on fashion brands are the continued rise in importance of emerging markets where consumer spending is rising much faster than in industrialized countries. As of 2019, more than half of global spending on clothing and footwear is already occurring outside of Europe and Northern America (Figure 2.4). This requires, therefore, that T&A companies diversify geographically in order to maintain growth, which creates an opportunity for emerging producing countries such as those in Africa.

Figure 2.4: Projected consumer spending on clothing and footwear



Source: Statista Consumer Market Outlook 2020

³⁶ Statista Consumer Market Outlook 2020

³⁷ Statista Consumer Market Outlook 2020

³⁸ Statista Consumer Market Outlook 2020

³⁹ Statista Consumer Market Outlook 2020

Indeed, the sustained success of vertical textile chains, such as Zara and H&M, has shown that not only tight control of the supply chain but rapid globalization also pays off in apparel retail. Consumer spending is showing a shift away from established markets in Northern America and Central & Western Europe to emerging economies in Asia, Eastern Europe, the Middle East, Africa and Latin America. This shift in consumer spending is due to an increasing number of fashion-aware youth, increased income and general population growth all which favour developing countries. For the benefit of countries such as those in Africa with abundant labour and resultant cheaper production costs, the forecasted allocation of consumer spending by category shows that spending on clothing and footwear production is expected to grow slightly faster than average, which implies continued importance of cost-control for the fashion industry. To manage costs, the industry has already shifted production away from China, where labour costs have risen rapidly in the past.

2.2 Textile and Apparel industry in Africa and South Asia

Following the expiry of T&A quotas in 2005 imposed by the US, China exports to the US had grown by 4.8 % while imports from the world grew by 1.0 %, raising concerns that China's imports could capture the domestic market share and hurt many developing nations⁴⁰. Post textile quota safeguards by the US, Africa's textile and fabric product exports to the USD have been reducing steadily from USD 27.2 million in 2008 to USD 12.4 million in 2019⁴¹. However, in the same period, Africa's textile and fabric imports from the US grew from USD 52.1 million to USD 69.5 million⁴². ASEAN countries, such as Thailand, Vietnam, Myanmar, and the Philippines have a potentially strong textile market and are reported to be growing stronger in the global textile industry with bright prospects (Box 2.1)⁴³. Part of the reason for this growth can be traced to the ASEAN free trade area and product diversification that have enabled countries in the region to actively export textiles and apparel to the global market⁴⁴. The other driving factor is the textile industry's reliance on low-skilled and labour-intensive production, giving the region a comparative advantage⁴⁵.

Box 2.1 Vietnam's Textile and Apparel industry

Vietnam has about 6,000 T&A enterprises in the country; attracting more than 3.5 million workers and supports millions of others through remittances sent to workers' families around the country. Vietnam's T&A industry accounts for about 15 per cent of the country's total exports, reaching over USD 36 billion in 2018. In 2018, Vietnam exported nearly USD 28.7 billion of T&A goods making the country one of the top five garment exporting countries in the world with a share of 47 per cent to the United States and 15 per cent to the European Union. However, 40 per cent of the fabric materials were imported from China, and Korea was the second-largest import market for Vietnam in terms of fabric materials. Vietnam entered and became an official member of the Association of South East Asian Nations (ASEAN) Free Trade Area (AFTA) in 1996, Asia Pacific Economic Cooperation Forum (APEC) in 1998. It also had Bilateral Trade Agreement with the United States (US-BTA) in 2000, it joined the World Trade Organization (WTO) in 2007 and that brought considerable reduction of import duties and import tariff rates on inputs for producing exportable goods and, liberalization of the services market.

Source: ILO, 2019/ VITAS, 2020/ PHS; Statista, 2020

Total textile exports in Africa have performed poorly compared to Asia, exporting only 2% of textiles and 3% of clothing of Asia's exports in 2016 (Figure 2.5). In Africa, the textile export trade is dominated by top five exporters namely, Algeria, Benin, Botswana, Burkina Faso and Burundi (Figure 2.6) while India, Republic of Korea, Thailand, People's Republic of China dominate textile exports from Asia. Top textile exporters in Africa are often those with high cotton production or a developed textile manufacturing industry. Asian countries generally export more than African countries because apart from abundant and cheap labour which both continents share, the former also have managed to integrate in value chains and diversify into a broad range of brands that appeal to a diverse internal and external market.

⁴⁰ Congressional Research Service, 2006.

⁴¹ <https://www.statista.com/statistics/1065682/value-of-us-textiles-and-fabrics-imports-from-africa/>

⁴² <https://www.statista.com/statistics/1065672/value-of-us-textiles-and-fabrics-exports-to-africa/>

⁴³ <https://www.fibre2fashion.com/industry-article/6660/asean-countries>

⁴⁴ Hamid & Aslam, 2017

⁴⁵ ILO. 2017. *From obligation to opportunity: a market systems analysis of working conditions in Asia's garment export industry. The Lab, market systems development for decent work.* Accessed at:

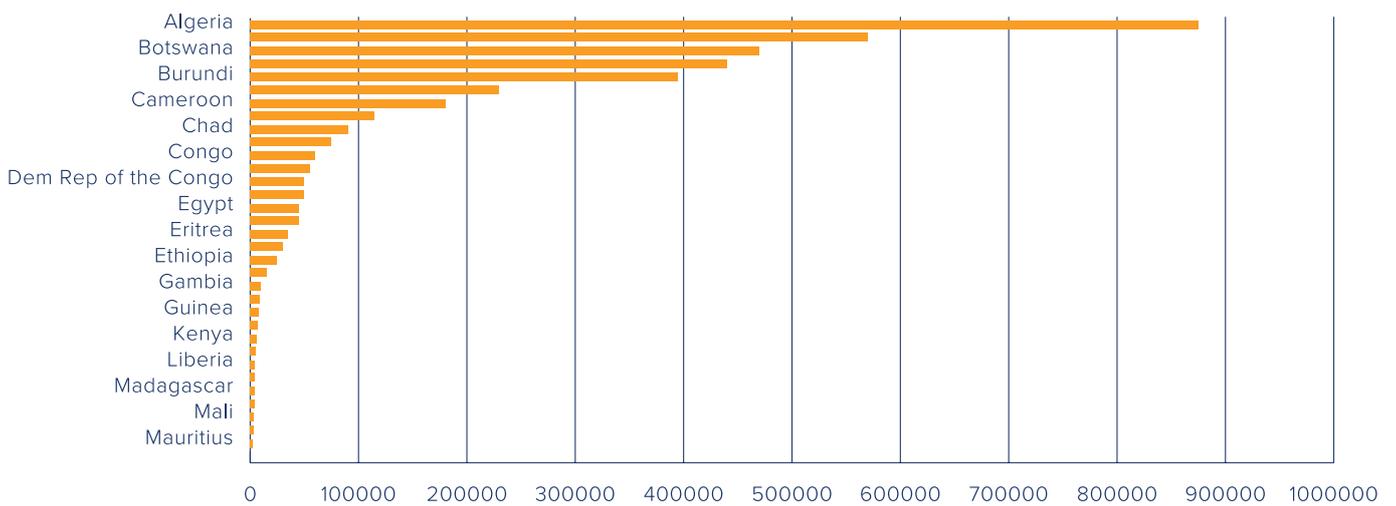
https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms_582555.pdf

Figure 2.5: Textile Exports from Africa, Asia and Middle East (2018)

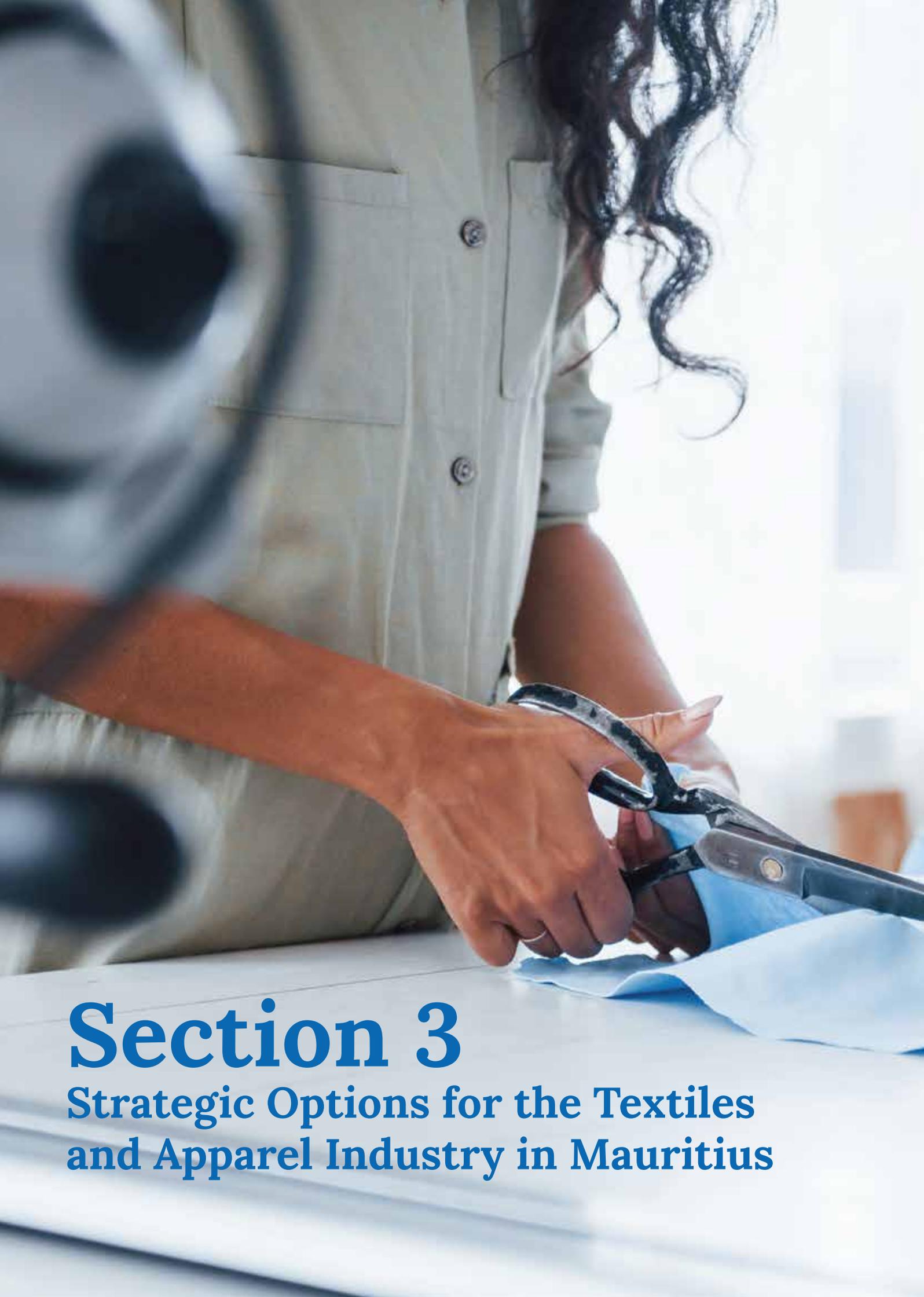


Source: WTO, 2019, <https://data.wto.org/>

Figure 2.6: Export of Textile Fibres and Wastes by African Countries in Thousands of US dollars, 2018



Source: WTO, 2019



Section 3

**Strategic Options for the Textiles
and Apparel Industry in Mauritius**

Strategic Options for the Textiles and Apparel Industry in Mauritius

Despite numerous challenges facing the T&A sector, it remains a strategic pillar of the Mauritian economy. The Ministry of Industrial Development, SMEs and Cooperatives has launched a new Industrial Policy and Strategic Plan (2020-2025) for Mauritius to address the current challenges in the manufacturing sector. To reinvigorate this sector, several strategic options are worth considering, each of which are briefly discussed below.

3.1 Leveraging existing markets

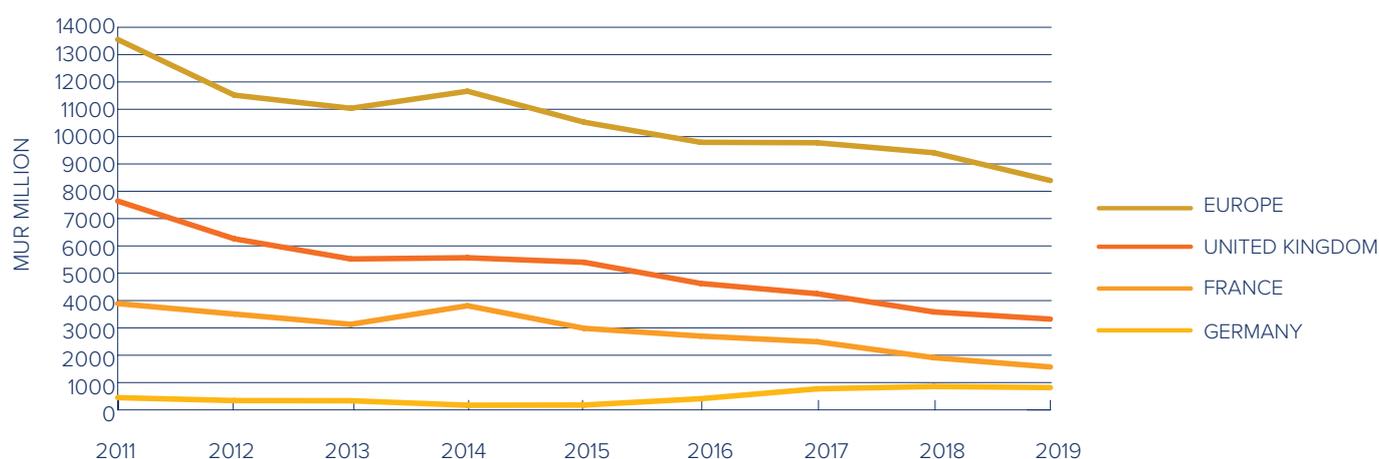
There are up to four potential markets that the T&A transformation strategy for Mauritius can target and leverage. These include the European market; The US market; the COMESA and SADC markets as well as the promise of AfCFTA.

3.1.1 European markets

T&A is a huge and growing market in Europe, with Germany and the United Kingdom sitting at the top. China and Turkey were the two main suppliers of textile for the European Union in 2018⁴⁶. The absence of any African country in the top 10 exporters of textiles to the EU requires African governments to work with industry players to remove bottlenecks that limit penetration to this important market. The Lomé Convention and its successor, the Cotonou Agreement, offered preferential access to the European Union market, thus providing a determining competitive edge to Mauritian products. Mauritius' trade relationships with the EU are now governed by the Economic Partnership Agreement (EPA) between the EU and a group comprising Mauritius, Madagascar, Seychelles, Comoros and Zimbabwe. While there are still negotiations for a full EPA, the interim one already covers textile and other goods, but not yet services, investments and intellectual property. As Mauritian tariffs are being gradually liberalized till 2022, except on some sensitive products, the interim EPA is already a Free Trade Agreement in so far as it covers substantially all trade, more than 80 % of tariff lines. Mauritius enjoys a duty advantage of 8-12% with its preferential access on the EU market.

While Europe still represents the largest traditional export market for Mauritius, owing to the above preferences, its share in Mauritian apparel exports has drastically declined, from 59.5% of the total in 2011 to 45.7% in 2019. In that period, the exports value decreased from MUR 13.6 billion (EUR 340 million) to MUR 8.4 billion (EUR 210 million). Country-wise, France and the United Kingdom have followed the same trend (Figure 3.1).

Figure 3.1: Mauritian Exports of Articles of Apparel & Clothing Accessories



Source: Statistics Mauritius

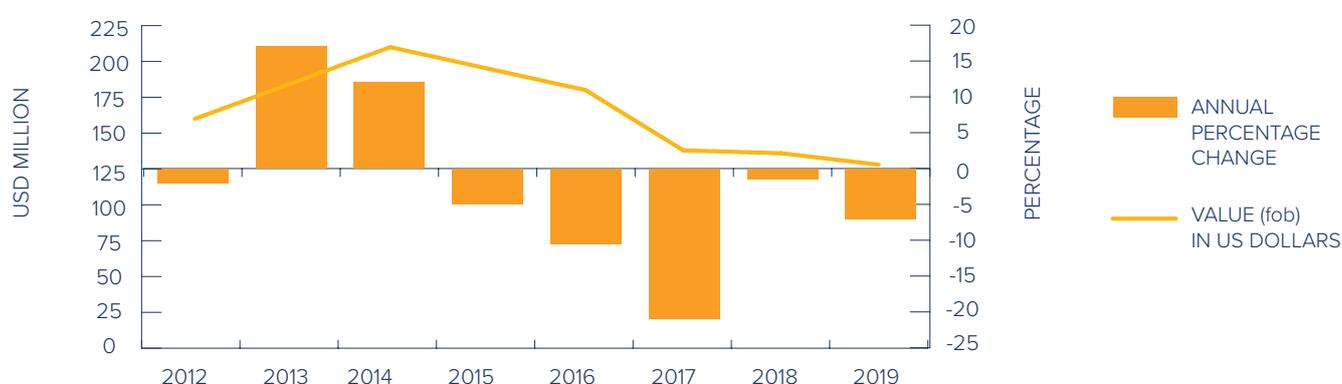
⁴⁶ Eurostat, EURATEX, Statista, 2020

3.1.2 The US market

The United States presents an enormous potential market for African textile and apparel. Unfortunately, despite opportunities provided by the AGOA, US imports of T&A from Africa have been declining over the years. In 2019, the US imported approximately USD 12.4 million worth of textile and fabric products from Africa, compared to USD 24.8 million in 2013 (Figure 3.2). Fibres, yarns and threads accounted for 42.4% of textile and fabric products imported by the US from Africa in 2019.⁴⁷ In that year, the top five T&A exporters to the US were Egypt, Madagascar, Mauritius, South Africa, and Morocco⁴⁸. Countries with better ICT infrastructure, the rule of law and effective judiciary, property rights protection, stable exchange rates and sound macroeconomic policies have registered significant export gains due to the AGOA⁴⁹.

Mauritius has achieved three important objectives with the AGOA. First, it has moved more up-market in its apparel products, developing high value-added garments and retaining a speciality niche of quality/price. Second, the country has gone upstream in creating its own textile, fabric-making industry, not only for its own production but also for exports to other African apparel export countries. And third, high-skilled jobs have been created for Mauritians in marketing, sourcing, design, merchandising and logistics. However, 'the country is yet to be transformed into a textile hub for the region by developing greater regional cooperation and integration.

Figure 3.2: Mauritian Exports of Articles of Apparel & Clothing Accessories to the US



Source: Statistics Mauritius

There are still several impediments to making full use of the scope provided by the AGOA such as inadequate supply-side capacity of African producers; inability of small and medium size enterprises to meet sanitary and phyto-sanitary requirements for the exports of products to the US; low level of value-added production among SMEs, and; under-developed supply chains, not effectively mobilizing and transporting products to the US in the right volume, right quality and at the right time. Contrary to European importers, US buyers usually purchase large quantities, which only bigger and better structured factories can successfully cope with. Ideally, small and medium size producers can resort to clustering and industrial networking to be able to penetrate the US market.

Clusters promote inter-firm linkages and collaboration, and help firms realize economies of scale, benefit from bulk imports of raw materials, meet high volume orders, access export markets, develop product niches, keep up with evolving fashion and prevent erosion of accumulated know-how. Clustering is common in new industrialized economies, but, oddly enough, is still non-existent in Mauritius maybe because there are practical challenges such as unwillingness to cooperate and to share information. Firms in the textile and clothing sector continue to operate as individual manufacturers without appropriate partnership. The Government of Mauritius can provide financial assistance to SMEs who are willing to form part of clusters and to open avenues for cooperation with overseas partners in clustering.

The bulk of the locally manufactured goods are sent to the US by containership, the rest is exported by air in case of late orders. High transportation costs due to very long distance between Mauritius and the US, and low frequency of transport between the two countries remain among the constraints that have denied Mauritian firms from fully utilizing the

⁴⁷ US Department of Commerce; OTEXA

⁴⁸ COMTRADE, 2020

⁴⁹ Kassa, W. – Coulibaly, S. (2019), "Revisiting the Trade Impact of the African Growth and Opportunity Act: A Synthetic Control Approach", World Bank Working Paper 1

preferences offered under the AGOA. While Mauritius should continue to move up scale and towards the high end in the production of textile products, apparel and garments, it should diversify its exports base to gain better and more access to the American market under the AGOA. The Economic Development Board (EDB) could facilitate niche marketing in the US through branding and franchising, helping Mauritian exporters find the exact niches and joint ventures with overseas producers. Through targeted promotional activities, the EDB can identify the most promising market segments and promote better visibility for Mauritius.

3.1.3 COMESA and SADC markets

The Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) constitute important outlets for Mauritius. Both regional blocs have eliminated tariff barriers, and an appropriate mechanism has been established to oversee the free movement of goods. Together they are made up of 26 countries, covering half of the African continent, and provide a regional market of around 200 million people. South Africa, a major economic player in SADC, does not form part of COMESA, unlike Mauritius and Madagascar which have dual membership with SADC and COMESA. To countries that are members of COMESA but not SADC, like Kenya,⁵⁰ Mauritian exports of textile and clothing products remain insignificant. Within COMESA though, the rule of origin of 35% value addition is quite flexible and easily complied by Mauritian producers. However, duty is still imposed on Mauritian exports to some African countries under COMESA non-FTA countries such as Ethiopia (32%) and Democratic Republic of Congo (20%).

South Africa today makes up 99% of the Mauritian apparel exports to SADC (Figure 3.3), while Madagascar is the top market for Mauritian exports of textile yarns and fabrics. Before the advent of SADC Trade Protocol, which set the stage for trade liberalization, exports of textile and clothing products to South Africa were not successful because of relatively high custom duties on fabrics and garments.

Figure 3.3: Mauritian Exports of Article of Apparel & Clothing Accessories to South Africa and SADC



Source: Statistics Mauritius

It is forecasted that there will be a contraction of the exports to SADC and COMESA due to the impacts of COVID-19 pandemic in 2020. Most of the exporting countries to SADC and COMESA members have been severely affected by the COVID-19⁵¹. The ECA projected a drop from 3.2% to 1.8% in economic growth in Africa in 2020, and the World Bank is expecting a decline from 2.4% in 2019 to -2.1 to -5.1% in 2020, which will be the first recession in the region in 25 years.

Manufacturers exporting to South Africa have reported a decline of 60% of their exports due to immediate cancellations during the COVID-19 period. Forecast for 2021 remains uncertain. The closure of ports and borders during the lockdown period have caused severe disruptions in both the global and regional supply chains. Manufacturers with activities integrated in the region have faced delays in sending raw materials to their units in Madagascar, causing a loss of production of almost 50%⁵². Additionally, local operators have complained about the difficulties they encountered for deliveries of accessories and trims that are mainly imported from Asia, Europe and the Middle East. These are normally imported by air and are taking almost 3-4 weeks to arrive. In the same way, product development samples were also severely affected.

⁵⁰ Mauritius exports mainly shirts and suits to Kenya.

⁵¹ Meeting with Ministry of foreign Affairs, Regional Integration and International Trade

The enlarged region of SADC and COMESA combined is a good potential market, but a limited market for apparel products as the purchasing power of most member states is quite low in general. There are also two very important constraints for exports to these markets: firstly, political, economic and social instability, and secondly, the absence of a reliable regional transport system and lack of maritime and air transport to landlocked countries like Zambia, Zimbabwe, Malawi and Uganda, with related problems of connectivity and logistics. It is important for Mauritian firms to expand their business relations with fabric and yarn producers in SADC countries such as Zambia, Tanzania and Mozambique, and to establish strategic alliances if need be. They can devise strategies that are specifically directed towards building supply capacities of cotton yarn and fabric production⁵³.

3.1.4 The African Continental Free Trade Area⁵⁴

The African Continental Free Trade Area (AfCFTA) has an objective of eliminating up to 90 % of the tariffs on goods and reducing non-tariff barriers such as cumbersome bureaucratic procedures, licensing requirements, quotas, and other measures that raise costs. This enlarged free trade area is a unique opportunity for Mauritius to further attract FDI and increase its exports to the African continent with a population of 1.3 billion. With the right national industrial policies in place, Mauritius could develop capacities to integrate in newly developed regional value chains in Africa and tap into the potential of the new free trade agreement (FTA). AfCFTA can enhance competitiveness at firm and industry level through the possibilities of large-scale production, continental market access and better reallocation of resources⁵⁵.

However, operators of the T&A industry, mostly SMEs, do not have the knowledge of the agreement, while some large players are not aware of the immediate advantages it brings. Since Mauritius is positioning itself as a premium supplier of apparel business in the main markets such as the EU with focus on higher market segments, some industry players felt that they may not compete within the continent where the market is still basic, compared to countries like Bangladesh who have the potential to capture this market.

3.2 Negotiating Free Trade Agreements

With the possibility of trading under AGOA waning, an FTA is a much better option. The AGOA is a piece of legislation, the content of which is decided by the US Congress, whereas an FTA is a negotiated agreement. The US has already started discussing a FTA with Kenya, and negotiations will likely be concluded in 2021. Mauritius is in the second batch for negotiating with the US. The Mauritian Government may use the Kenyan model on which to base its discussions.

The US market remains very important in the diversification strategy of Mauritius. The trade war between the United States and China and the anti-China resentment may play in favour of Mauritius as clients are re-assessing their sourcing strategies and want to diversify them. With the COVID-19 pandemic, markets are shifting as retail chains and big stores are suffering. Moreover, consumers are increasingly concerned about sustainable development, looking for labels that respect environmental norms and prohibition of child labour. Some high-end brand companies do not want to source from countries where workers' rights and labour standards are not being enforced such as use of child labour. It is thus an opportunity for Mauritius to attract more high-end buyers to establish sourcing offices.

T&A clients are global and are not attached to a single country in terms of orders. They may also wish to deal with COVID-free countries like Mauritius with a low incidence of COVID-19. The choice of clients is important though. The Chinese market itself represents an opportunity for Mauritian exports, bearing in mind that Chinese people like wearing brand garments. Mauritius will start initiating the process of the ratification of the Mauritius-China FTA that will eliminate tariffs on 8,547 products from Mauritius, and open market opportunities in the service sector. There are still outstanding issues with the India-Mauritius Comprehensive Economic Cooperation Partnership Agreement (CECPA). The Mauritian Government is keen on signing a CECPA with India as it sees scope for exporting textiles products on which tariffs will be lowered or removed. Mauritius needs to strategize its market access to China (1.4 billion people), to India (1.3 billion), to Africa (1.3 billion), to the European Union (445 million) and to the United States (330 million). Mauritian exporters must know how to target markets. They should also explore non-traditional markets such as Australia, Japan, South Korea and the Middle East.

⁵² Figures obtained from meeting with industrial manufacturers

⁵³ The Mauritian firm Ciel Textile is ready to produce fabric, having got a certification from a laboratory in India.

⁵⁴ ECA and UNDP will discuss this comprehensively in the upcoming study on the AfCFTA and Market Implications for the Mauritius Economy Post-COVID-19.

⁵⁵ World Bank (2020), "Doing Business".

3.3 Developing inter-sectoral linkages

The manufacturing export sector in Mauritius, like other export zones in Africa, has developed very few linkages to the local economy⁵⁶. Backward linkage has been generally limited in the textiles and garments sector where most of the main raw materials such as cotton, yarns, wool and accessories are imported from mainland Africa, Asia and Europe. Many of the large firms operating in the garment industry are vertically integrated with knitting, weaving, dyeing and garment making, including printing and embroidery and are not dependent on the value chain with other domestic enterprises, thus limiting linkages considerably.

CMT (cut-make-trim) subcontracting, which is a very common practice among SMEs in the garment industry, has not developed as a specialized activity in Mauritius that was capable of stimulating the development of forward and/or backward linkages with domestic firms. These subcontracting linkages, which are part of the supplier's firm linkages, are found to be very weak. Also, in recent years, the numerous closures of small and medium T&A firms including knitting, dye houses, printing and embroidery facilities have further contributed to the limited linkages among manufacturers. This has greatly disrupted the supply of fabric and the provision of value-added services to the SMEs, which has impacted greatly on the value chain.

3.4 Enhancing tailored skills development

Compared with other developing countries, the Mauritian labour force is relatively well educated. However, the educational system is still unable to produce the higher-skilled labour force needed by the emerging sectors including the T&A industry. In addition to the skill shortage, the Mauritian labour market has increasingly been characterized by mismatch, particularly among the youth. A series of sector-specific surveys on labour shortage and skills gap conducted in 2011 indicated that employers do not easily find workers with the adequate technical and soft skills and past working experience for the job they offer. In 2016, employers reported educational inadequacy of the workforce as the third most problematic factor in doing business⁵⁷. Employers of large T&A companies also agree on the need for their workers to acquire the necessary technical skills to cope with the fourth industrial revolution. Skills upgrading was identified to be an important component in keeping pace with the development in the industry. While medium and large companies have confirmed sustained investment in their workforce for the upgrading of skills⁵⁸, small companies have limited means to train their workers to match the demands of the agile industry. With increased automation of processes and in view of their preparedness for Industry 4.0, Academic and Technical and Vocational Education and Training are essential to a rapidly changing labour demand.

3.5 Embracing technology and innovation

Technological innovation is a key driver to the success and growth of the traditional textile and garment production value chain as it contributes to advanced manufacturing processes. The world today is witnessing a profound change in the fashion supply chain of the future where real time data is the key to increased production efficiency. The T&A industry is again confronting a paradigm shift with the fourth industrial revolution which focuses on digitalization. This new era consists of digitizing and managing the data to gain efficiency and speed, and to improve profitability, with short and customized series⁵⁹.

Manufacturers in Mauritius will have to face the challenges of this new model of sourcing, and the industry has no choice but to embrace Industry 4.0 in order to ensure the survival and future of the industry. However, this transformation requires rethinking the productive model of the textile industry and redefining the supply networks by private and public stakeholders.⁶⁰ By investing in soft robotics, automation and artificial intelligence, the industry has a chance to bring manufacturing closer to the clients from Business-to-Business (B2B) to Business-to-Consumer (B2C)⁶¹. Based on this new sourcing model, Mauritius remains very vulnerable due to its remote geographical location from its two main markets namely the EU and the US. Although low-cost sourcing remains an important component in the global apparel supply chain, buyers are expressing interest in an increasing trend in nearshoring and relocation. This is caused by the increased pressure that companies and fashion brands are facing to increase their flexibility and speed in the market. Digitization opens a new dimension and vision as it moves the focus to consumers rather than on suppliers and helps companies to remain competitive. However, to embrace digitalisation, the sector must build the necessary manpower to adopt, manage and implement new technologies.

⁵⁷ World Economic Forum's Global Competitiveness Report 2017

⁵⁸ Most of the companies are eligible to benefit from the HRDC training grant up to a maximum of 75 per cent of the cost of the training course attended by workers.

⁵⁹ McKinsey (2017), "The apparel sourcing caravan's next stop: Digitization"

⁶⁰ Meeting with the Ministry of Industrial Development, SMEs and Cooperation

⁶¹ Feedback from Industrial manufacturers

3.6 Attracting Foreign Direct Investment

Mauritius has been one of the few countries to successfully deploy FDI to maximize the opportunities of preferential trade status, despite unavailability of indigenous raw materials and remoteness from world markets. FDI has greatly contributed to the diversification of the economy from an exporter of sugar to an exporter of textiles and garments. In manufacturing production, however, FDI, production location and export markets must contend with intensive global competitive pressure. Several factors have contributed to the reduction of FDI in textile manufacturing: significant erosion of the country's locational advantages, geographical remoteness from major markets, a small domestic market, lack of a diversified industrial base, rising labour costs, declining labour productivity, and bureaucratic procedures.

Responsible for the promotion and facilitation of investments in Mauritius, acting as a one-stop service for providing expeditiously the necessary permits from public agencies for new enterprises, the EDB needs to remain action-oriented, to attract FDI through a more dynamic approach and to operate hand-in-hand with private operators with the view to stimulate investments and exports. It could focus attention on the problems of the traditional manufacturing sector in order to devise and implement lasting solutions. The EDB can act as a market intelligence agency that would monitor the evolution of the exporting industries, develop a capacity for forecasting new trends, inform textile entrepreneurs of upcoming market exigencies, and identify potential areas of investment activities.

3.7 Orientation towards outward investment

Mauritius can draw useful lessons from the experience of Hong Kong, China and Taiwan⁶², China and South Korea⁶³ in the development of an appropriate spatial outward strategy for its T&A industry. Hong Kong shifted its garment-making operations to competitive offshore production centres, including Mauritius in the past, while keeping on the hinterland the primary textile industry, the support industries and the marketing. Mauritius can be to Africa what Hong Kong is to Asia: the key port of a textile hub (Box 3.1). Since the early 1990s, some leading investors engaged in low-skill assembly operations have switched their operations out of Mauritius to other low-cost locations in the developing world. The delocalization of labour-intensive production from Mauritius by both local and foreign companies to countries like Madagascar, India, China, and Bangladesh has reduced the net inflow of FDI. As the delocalization process continues, it is critical for Mauritius to keep up the level of investment in textile manufacturing in order to meet its development objectives.

BOX 3.1 Hong Kong's as a T&A sourcing hub

Hong Kong, China has distinguished itself as global high-end T&A sourcing hub and has relocated its lower end manufacturing to low labour, low-cost countries in South East Asia. Quality is the selling brand for the T&A industry in Hong Kong, China using that to supply high end markets globally. To achieve this, the country has had to invest in skills, technology and innovation and specialize in this segment of production, relocating the lower end production. In a way Mauritius has distinguished itself as the high-end T&A supplier in Africa. The country will therefore need to undertake the same upgrading of skills and technology to meet the needs of the sophisticated high-end consumers.

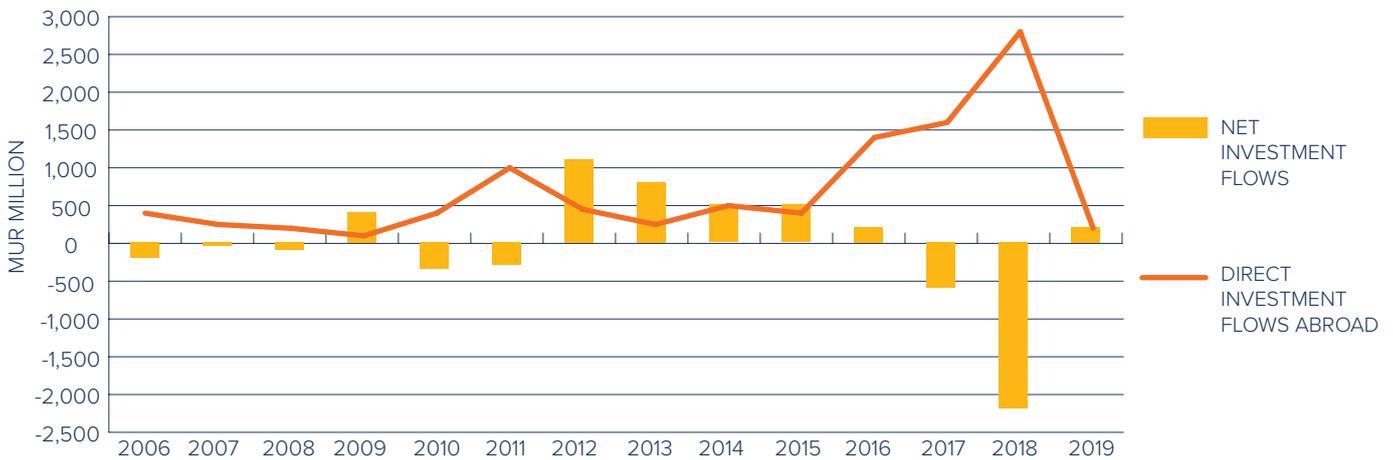
Source: Hong Kong Trade and Development Council



⁶² Taiwan followed an offshore production strategy quite similar to Hong Kong, retaining its lead position as a supplier of quality raw materials and equipment for the textile industry.

⁶³ South Korea can boast of a vertically integrated industry thanks to cheap migrant rural workers to major cities, having developed a strong home base industry on man-made fibres.

Figure 3.4: Direct investment flows of Mauritius T&A



Source: Bank of Mauritius

Access to regional markets will offer scope for vertical shift towards higher value-added activities. Penetration of regional markets depends on outward investment from Mauritius. Mauritian firms can leverage their expertise through outward investment on the African Continent via joint ventures with international partners. The domestic capital market is too small to support a vigorous regional expansion. Mauritian direct investment abroad in manufacturing has been slow notwithstanding a surge in the period 2016-2018 (Figure 3.4). The Government of Madagascar has given 80 hectares of land to the Mauritian Government for it to develop a textile city, the Moramanga Textile Park. Investments to the tune of USD 60 million, to be partly financed by the Mauritius Africa Fund, will be necessary to set up the physical and environmental infrastructure, such as sewage and common effluent treatment plants.

Once the project development process is completed, the project will be tendered for private developer participation. From there, Mauritius and Madagascar, which together represent two billion dollars of exports, can be promoted in tandem, in terms of: production of yarn, fabric and high value-added garments in Mauritius and; production of low-end garments in Madagascar. The two countries are complementary with increasing interconnectedness that will be mutually beneficial.

In view of the rising labour costs, it is important for Mauritius to develop a strategic partnership with Madagascar to strengthen its market position in the low-end segment of the value-chain while enhancing its market position in the higher value-added segments. The minimum basic salary in Madagascar is USD 80 per month, one third of that in Mauritius (USD 250). Mauritian firms can subcontract low-end garment-making to Madagascar, where textile production could be subject to difficulties owing to electricity and water costs that are higher than in Mauritius. However, Madagascar can grow its participation in the T&A value-chain further by harnessing its cheaper labour force and increasing investments in infrastructure.

3.8 Advancing the Mauritius’ Africa strategy

The aim of the Mauritius’ Africa Strategy is to transform the country into a regional platform for trade, investment and services. This can only be achieved through enhanced economic exchanges and improved air and sea connectivity. Accordingly, “maritime connectivity has worsened over the last five years, with a freight increase of 50% in the last three years.”⁶⁴ It is envisaged to create a regional shipping line, precisely a subsidized maritime service linking Port Louis to ports of Indian Ocean countries such as Madagascar, Tanzania, Kenya, Mozambique and Seychelles, weekly⁶⁵. Mauritius aims to become a conduit to investments bound to and from Asian countries and a gateway for Africa. Investors can benefit from Mauritius’ duty-free access to the COMESA and the SADC and soon-to-be AfCFTA, from tax and investment treaties with many African countries, from a well-diversified financial services sector and from the ease of doing business that the island offers.

The Mauritian Government has been approached to: exploit 40 hectares of land provided by the Senegalese Government, to create a 400-hectare industrial zone bordering the port of Ehoala in Fort-Dauphin, Madagascar; to set up Special Economic Zones with Senegal and Ghana; to develop a technopole in Ghana, and to establish commercial presence of Mauritian ICT companies in Togo and Burkina Faso for training in and development of software applications.

⁶⁴ According to the director of the Mauritius Export Association, quoted in week-end, 13 September 2020.

⁶⁵ Every government involved in this project would subsidise this Western Indian Ocean Maritime Service for five years through a special fund or trust.

Unfortunately, these projects have seen little progress up to now. Instead of a fragmented approach involving a few African countries, Mauritius could develop a coherent Africa-wide strategy, within the AfCFTA, with a targeted approach towards economies that would be of great advantage to Mauritian exporters. Mauritius could further direct its export strategy to countries where it is better positioned to step up trade. In that respect, the economies of Southern and Eastern Africa, as members of the SADC or the COMESA, offer scope as bases to tap into markets in the region.

In its 2020-2021 Budget, the Mauritian Government announced the planned establishment of warehouses in Tanzania and in Mozambique for Mauritian exporters. If the warehousing model in these two countries works, it could be replicated in French-speaking countries in Western Africa and in Central Africa. Warehousing facilities, however, will be impactful if they are accompanied by marketing services, since acquisition of export market information is crucial. Exporters need institutional support from the Government of Mauritius to build contacts and relationships, to find the right resources, to obtain insightful information and practical knowledge, and to negotiate the best deals and long-term strategic partnerships with a view to becoming integrated into the regional production chains.

The EDB has a strategy to reopen the markets of Botswana, Namibia and Kenya where it aims to capture market intelligence. The EDB should endeavour to move beyond the traditional trade fairs and road shows, towards digital marketing campaigns, especially in a COVID-19-induced environment where travelling is limited and difficult. The EDB could make greater use of economic diplomacy to open new markets, to build platforms in the region, to set up more trading posts. More trade offices in key African markets will enable Mauritian companies to think more regionally in terms of marketing and investment options.

3.9 Financing

A big handicap for the T&A sector is that firms require a significant amount of working capital in order to import raw materials, transform them and export the products. Buyers pay on average 90 days, some 120 days, after delivery. Meanwhile, the yarns, fabrics, buttons, dyes and accessories need to be stocked. The cycle of working capital can be very long, which is the main risk for the bank. Commercial banks, like the Mauritius Commercial Bank, must have financing instruments adapted to the industry, and a credit scheme that protects exporters against default payments of buyers⁶⁶.

The textile sector is not so capital-intensive as the hotel sector. As on 30 June 2020, bank loans to manufacture of textiles totalled MUR 5.3 billion, and manufacture of apparel MUR 3.9 billion, out of an overall domestic loan portfolio of MUR 400 billion⁶⁷. Non-performing loans were not high in these two sub-sectors in the pre-COVID period: the market share of impaired credit of the whole manufacturing sector was only around 6 % as at end March 2020, compared to 23% in the trade sector⁶⁸. The risks that this might worsen should be partly offset by the continuous loan restructurings made by banks and by the operations of the Mauritius Investment Corporation (MIC). If ever the big manufacturing groups failed, there would be no systemic impact on the banking sector given that the loan portfolio of banks is as diversified as the economy.

There is no doubt that many T&A firms will be loss-making in 2020 as gross income will be less because of the COVID-19 pandemic. It is estimated that annual losses can vary from 100 to 500 million rupees for a single company, or MUR 5 billion (USD 130 million) for the whole industry⁶⁹. The quasi-equity of MIC can attenuate the impact in the long run as it renders additional debts unnecessary for the distressed firm. Government support is necessary for Mauritius not to lose the know-how, the reputation, the name, the clients and the markets acquired since the last 50 years.

3.10 Re-activating the discourse on clustering

Clustering has the unique characteristic to bring firms to work together, particularly the SMEs where they will be able to address common factors such as increased labour costs, low productivity and increased competition. The promotion of clustering allows strategic subsectors to pool their resources together to increase their competitiveness through innovation and R&D. The concept of clustering has existed in the T&A sector in Mauritius but did not register success, in part on account of lack of willingness by entrepreneurs to collaborate in adopting the concept. Given the success this approach has registered among SMEs in several countries by providing room for cooperation between companies, easy and fast access to information and facilitating cooperation in different stages of production such as acquisition of technologies and equipment and marketing strategies, there is a need to advocate for and re-engineer this strategy to benefit the industry.

⁶⁶ The MCB lends to textile operators at Prime Lending Rate in rupees, and at preferential rates in foreign currencies (Euribor or Libor plus 1.5-3.0 per cent).

⁶⁷ Bank of Mauritius, *Monthly Statistical Bulletin*, July 2020.

⁶⁸ Bank of Mauritius, *Financial Stability Report*, June 2020.

⁶⁹ According to the vice-president of the Mauritius Export Association in a press interview to *l'express* of 8 July 2020.

3.11 Rethinking the Mauritius brand

Mauritius has used the “Made in Mauritius” label to promote textiles and ready-made products since 2001. This strategy has promoted its T&A industry in major markets, earning the country a reputation as a reliable and quality supplier. There are positive responses to the “Made in Mauritius” label among manufacturers who see the potential for future business. Rethinking the Mauritian brand is central in building a new identity to effectively mark Mauritius’ presence on the international fronts to increase its chance in attracting further FDI, increase global demand for its exports and enhance foreign relations⁷⁰.

3.12 Advancing sophistication in product development

The T&A industry is facing significant challenges to remain competitive in today’s economy where they are continuously being challenged to supply innovative design collections, control operation margins, enhance brand images, build customer loyalty and expand business horizons. The industry is fully integrating the fashion industry and progressing rapidly in using digital technologies to enhance its competitiveness. Automated digital systems and distributed manufacturing are greatly influencing the traditional fashion industry towards a paradigm shift. Various fashion companies, such as Under Armour⁷¹, are actively exploring and applying technology-driven approaches in the conception of their products while seeking for new skill sets and knowledge from modern industry talents. The use of Artificial Intelligence has also served to predict fashion trends for new collections based on market data. This provides designers opportunities to develop virtual models based on generative design algorithms with greater precision, accuracy, and speed. The 3D design technology is also fully integrated in the fashion industry where it provides huge capabilities in prototyping, production efficiency, product customization and shorter lead time⁷².

BOX 3.2 Germany Textile and Apparel Innovative Industry

The German textile and clothing products are highly appreciated on international markets. In 2019, Germany exported textile and clothing products worth an estimated 34.7 billion euros with the majority of textile exports to Poland, Australia, France, Italy and Netherlands which in total accounts for almost 60 per cent of the total exports of the country with Switzerland, Poland, Australia, France and Netherlands as the top five importers of apparel products. There is a high level of innovation in the industry which helped the German textile and clothing industry strengthen their market position in many business segments. Indeed, the long history of production, innovation and adaptation has placed textile and clothing amongst the leading industries in Germany. Germany is also a world market leader for technical textiles. The T&A industry in Germany is one of the most advanced with highly mechanized processes and the country is one of the biggest exporters of textile machinery in the world. In 2018, the gross value added in the German clothing retail sector amounted to roughly 9.9 billion euros having grown from 6.7 billion euros in 2005.

In using a combination of CAD/CAM and 3D technologies, designers and technologists are meeting the challenges to provide optimal data communication capabilities, as well as a complete set of fully scalable solutions for meeting all requirements, from collection design to visual merchandizing through production⁷³. However, product development is highly dependent on knowledge management. As knowledge is created, shared, retrieved and displayed, data is stored, analyzed and retrieved for future use, thus making it more efficient every time. This provides an edge to manufacturers who are involved in developing new collections at least 2 to 4 times per year.

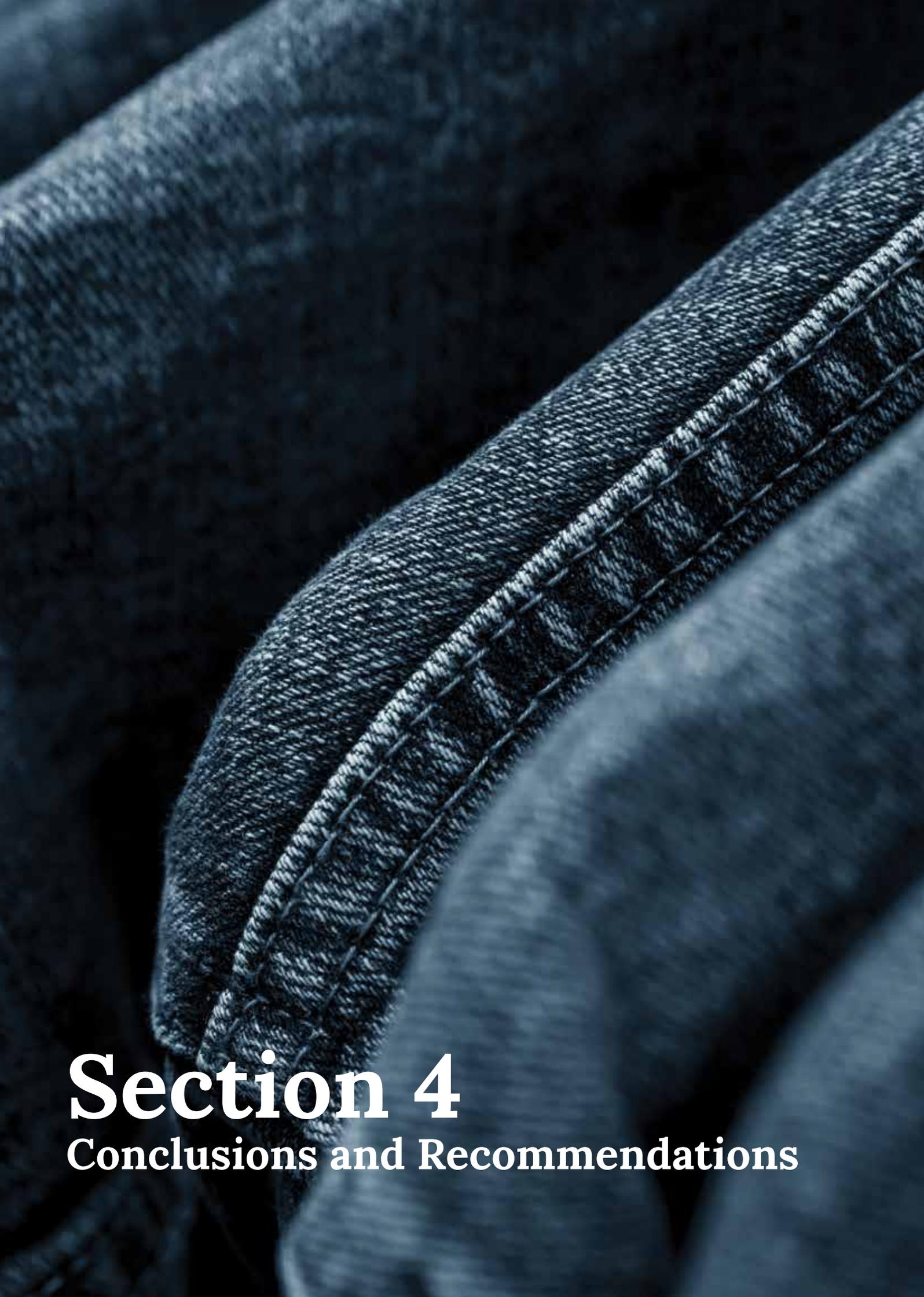


⁷⁰ Economic Development Board, “Call for new brand identity”.

⁷¹ Under Armour, Inc. is an American leading sportswear company that manufactures footwear, sports and casual apparel with headquarters world-wide. Founded in 1996 by Kevin Plank, the company has a turnover of USD 5.7 billion in 2019 competing with Nike and Adidas (Ciment, 2019)

⁷² Sun & Zhao (2017), “Technology disruptions: exploring the changing roles of designers, makers, and users in the fashion industry”

⁷³ Importance of CAD in textile designing

A close-up, high-angle photograph of denim fabric, showing the texture and stitching of a pocket or seam. The lighting is dramatic, highlighting the texture of the denim and the precision of the stitching. The background is dark, making the denim stand out.

Section 4

Conclusions and Recommendations

Conclusions and Recommendations

Mauritius has a big potential to develop the T&A sector. While it appears to be running out of steam, re-engineering this sector requires attention and the addressing of several lingering issues so that the sector plays its role in supporting the country's aspiration to transition to and sustaining of a High-Income Country (HIC) status.

In line with this aspiration, a few conclusions and recommendations are pertinent and are canvassed here around nine or so areas:

The future is in the manufacturing of value-added products as opposed to basic mass production. In this transition process, there is a need to forge better linkages between the lower end and higher value-added segments of the textile and garments sector to compete with low-cost producing countries where fabrics (particularly denims) are available at cheaper price, better quality and in wider range. Mauritius must upgrade and intensify the diversification drive, both of markets and products, as the competitive landscape is changing; wages are rising faster than worker's productivity, driving up unit labour costs. This must be combined with promotion of innovation through digitalization, Artificial Intelligence, automation and knowledge management with the collaboration of both private and public sectors for an integrated approach in the T&A industry regarding Industry 4.0.

Textile and garment manufacturing are not a sunset industry. However, a break with the past is a prerequisite for its survival, let alone its consolidation into a modern, innovative and reactive industry. Manufacturing must be brought closer to the clients. In that respect, companies have no other choice than to invest in soft robotics, automation and artificial intelligence. Investment in greener products will be required to reduce the impacts of the fabric dyeing process on the environment .

Medium-wage countries like Mauritius will not survive the growing competition from the lowest-wage exporters (Bangladesh, Laos, Indonesia and Cambodia) unless they move up the value chain. Soon, migrant workers will be doing manual work while Mauritians will be carrying out knowledge work. The challenge is to transform the T&A sector from labour-intensive to a knowledge-based industry. The big players must have this ambition by throwing away the old mindset of cheap labour, which encourages delocalization. Value will come from automation, innovation, design, service and branding, not from cheap labour. Labour will become expensive as the standard of living increases. Whatever their salary levels are, people will always need clothes but the way in which clothes are manufactured will be important. The production must adapt to the lifestyle amidst more competition.

Mauritius will have to rely more heavily on multi-factor productivity growth to sustain economic growth, if it is to realize the transition to a high-income, high value-added economy. From 2009 to 2019, according to Statistics Mauritius, the contribution of qualitative factors such as training, management and technology to the 3.6% average annual economic growth was 27%. Growth must come from more efficiency gains. Success depends on management, on how the firm manages people, process and finance. Enterprises must go towards technology. They need a good IT system and high-skilled labour.

Bold reforms in the Mauritian educational system are required with a greater emphasis in the curriculum on fostering innovation, creativity and entrepreneurship among the young. To take the economy forward on a sustainable basis, Mauritius needs to turn to a development paradigm centred on human resources and information technology, with a focus on higher value-added activities. This strategy calls for a vertical shift involving a continual upgrading of the textiles and clothing sector. FDI can play a critical role in such a strategy by widening the current skill base and by providing access to global networks. Government can also provide incentives for industry specific training and for specialized training on machines and equipment.

The skilling drive can be combined with the attraction of foreign talents to supplement the limited pool of skilled workers. Incentivizing the return of overseas Mauritians who have done well in various technical and managerial positions in the manufacturing industry can also benefit the industry.

It is imperative for the local textile enterprises to vertically integrate and to improve quality and productivity in order to tap opportunities in the global market. Transformation of supply chains is expected in the post-COVID-19 pandemic world, and there is plenty of hope being placed on the AfCFTA to create larger markets and make regional manufacturing economically more feasible and sustainable.

The future of the T&A industry will depend on the vision and preparedness of the entrepreneurs in seizing business opportunities. Manufacturers will have to demonstrate their operational agility to cope with the challenging opportunities that are emerging from a digital era. They will have to constantly adapt and review their business models in order to remain ahead of competition.

Mauritius requires FDI to upgrade the technological base and forge greater regional links. Regional dynamics spurred by the continent's growing needs for consumer goods, and the preferential access of African exports into the EU and the US markets, create new business opportunities. The country must capitalize on its numerous strengths to exploit niches in regional markets and attract additional FDI into textile manufacturing. It is still viable for the country to expect efficiency-seeking investment in textiles.

The environmental dimension of industrialization is inescapable in terms of zero waste and green energy. The current generation is influenced by social networks on sustainable development goals. Any future production practices that do not adhere to environmental dimensions of sustainable development may lead to drastic loss of market.

The Government will also have to pay attention to the SMEs if they are to survive and contribute to the export sector. A special support package should be envisaged for the medium-sized enterprises to move towards the upper end of the ladder. The situation is very preoccupying and if the Government does not intervene, the T&A industry will become more concentrated on large firms.





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