

TEXTILE INDUSTRY IN TANZANIA

Introduction

The United Republic of Tanzania borders the Indian Ocean to the east, and has land borders with eight countries: (anti-clockwise from the north) Kenya, Uganda, Rwanda, Burundi, the Democratic Republic of Congo (across Lake Tanganyika), Zambia, Malawi and Mozambique. The country includes Zanzibar (consisting of the main island Unguja, plus Pemba and other smaller islands). Tanzania is a relatively large country in east Africa; it is the 23rd largest country by area in the world and the 13th largest in Africa. the estimated Population is ***58.01 Million people***, ranking 25th in the world. The main towns include Dodoma (capital, pop. 410,956), Dar es Salaam (commercial and administrative centre, 4.8m), Mwanza (706,453), Zanzibar Town (501,459), Arusha (416,442), Mbeya (385,729), Morogoro (305,840), Tanga (221,127), Kigoma (215,458), Songea (203,309), Moshi (184,292), Tabora (160,608), Iringa (151,315), Musoma (134,327), Sumbawanga (124,204), Shinyanga (103,795), Mtwara (100,626) and Kasulu (67,704), according to internet sources.

Macroeconomic Overview of Tanzania

Real GDP growth was an estimated 6.7% in 2018, down from 7.1% in 2017. The services sector was the main contributor to GDP (39.3%). Private investment was the main demand-side contributor (63.9%). The external sector stymied economic growth as the current account deficit increased (despite the real depreciation of the Tanzanian shilling), due to a higher volume of imports in 2018 than in 2017. The increase is due largely to increased imports of transport equipment, building and construction materials, industrial raw materials,

and petroleum products for large public investment projects, such as the Standard Gauge Railway. The import bill also increased as a result of the rise in the price of key commodities, such as crude oil.

The fiscal deficit increased to an estimated 3.9% of GDP in 2018, due to increased capital spending on infrastructure projects. Public debt increased to an estimated 39.3% of GDP in 2018 from 38.2% in 2017. External debt accounted for about 74.9% of total public debt in 2018. The risk of debt distress remains low because public external debt, at 34.5% of GDP, is mostly concessional. Monetary policy was more accommodative in 2018 than in 2017. This increased domestic liquidity and reduced lending rates, leading to greater private credit supply. Due to improved food supply, inflation eased to an estimated 3.5% in 2018. The medium-term outlook is positive, with growth projected at 6.6% in both 2019 and 2020, supported by large infrastructure spending. Headline inflation is projected to marginally increase to 5.2% in 2019 and 5.1% in 2020 due to increased government spending. But the positive outlook faces several downside risks: growing private sector concerns about economic policy uncertainty and increased domestic arrears that could derail the government's fiscal consolidation and harm the private sector.

Key economic development challenges include slow progress towards inclusive growth, infrastructure bottlenecks, and vulnerability to climate change. Poverty and income inequality remain high despite high economic growth. Infrastructure bottlenecks are most notable in the transport and energy sectors. Reliance on rain-fed agriculture has exposed farmers to income shocks. And inefficient public enterprises present a fiscal risk. One of the development challenges on the social front is youth unemployment, which increased to 7.3% in 2016, compared with 5.7% in 2012. Key opportunities include peace and political stability, abundant natural resources, a strategic geographic location, and immense development potential for tourism. The Export Zone Processing Agency established in 2008 to accelerate manufacturing exports and help the country achieve structural transformation has helped

attract close to \$1 billion in foreign direct investment and revive the manufacturing sector into one of the fastest growing in Africa.

Overview of the Textile Industry

Tanzania's textile sector has passed through various stages since independence to date, from a period where most of the textile industries were owned by the government to the period where private companies are the main owners. Since the independence of Tanzania in 1961, it has invested heavily in textile industry, so that it could satisfy the demand of the market in terms of clothes and cotton growing in Tanzania. According to the Ministry of Industry and Trade 2004 report on Status of Textile Industries in Tanzania, 50 textile industries were established by the year 2002 by the government and private companies. However, 23 (46%) of the established industries are operating. The industries are involved in dyeing, spinning, weaving, printing khanga and Kitenge, bed sheets, garments, knitting woven blankets and socks.

In the 1960s and 1970s, Tanzania was able to meet the demand of the market in terms of clothes. The industries produce adequate clothes and materials for making clothes. Furthermore, the industries were of the major employers and contributor to GDP. It employed about 25% of the working force and contributed 25% of GDP in manufacturing sector (SAILIN LTD (TIB 1996). According to Zuku A (2002), the development of the textile industry was attributed to the demand and deliberate government policies. Though the textile industries were able to satisfy the market but it could not meet the demand of some types of clothes i.e. suits and suiting materials and other specific dress materials. This was due to the lack of technology of producing them.

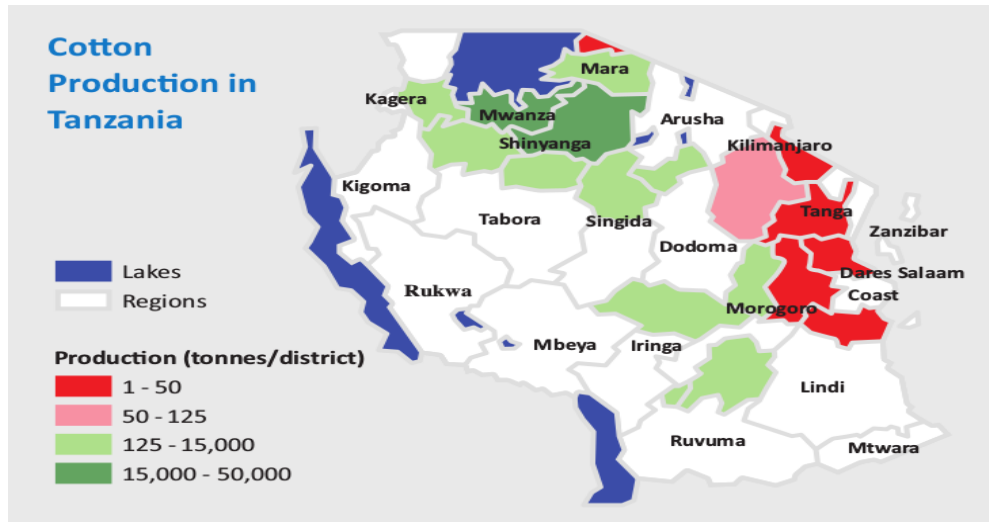
From 1980, the economy of the country started to decline. This also affected the textile industry. The capacity of the sector to produce adequate with good quality garments decline.

At the same time the government continued to restrict the importation of goods including clothes. This limited the availability of the clothes. As a result, individuals started to print batik and tie and dye. They were commonly known in Kiswahili as "MAWINGU" because most of them were on skies colour. The final nail of the coffin of the textile industry was hammered in 1994/95. The sector collapsed due to poor economy and government policies emanating from the liberalization policy. According to Zuku, A, (2002) the collapse of the textile industry was due to inadequate supply of cotton lint, lack of power/power interruptions, high power tariffs, unfair competition from imports and devaluation of Tanzania shilling hence difficult to buy spare parts for the machines.

From 1980-1985, Tanzanian's experienced a shortage of goods including clothes. As it has already been mentioned that local initiatives of producing clothes emerged (batik and tie and dye) but with a poor quality and also expensive to the extent that not everybody could afford. Some people (rural areas e.g. Southern part of Tanzania) decided to wear sacks. The sacks became shirts and skirts or something to wrap-up. In order to fill the gap, some businessmen/women started to smuggle in used clothes. It is at this time; the used clothes became important and its status was raised. Despite the fact that textile sector in Tanzania is still in its infancy, according to Tanzania Cotton Board it still leads the East African countries in the export of textiles and apparel to the European Union, with annual average exports worth €14 million over the nine-year period, 2000-2008. However, the leading Eastern and Southern African country exporters of textiles and apparel to the European Union market are respectively Mauritius, Madagascar and South Africa, with such export's worth respectively €456 million, €229 million, and €170 million. In 2008 on the other hand Tanzania's textiles and apparel exports to the USA market amounted to a paltry USA\$ 2million compared with USA\$ 340million for Lesotho, US\$ 279million for Madagascar, and USA\$ 247million for Kenya.

Figure 1 Cotton Production In Tanzania





Source: Internet

Challenges faced by Textile Sector

- The importation of cheaper garments became rampant thus affecting negatively the growth of garments locally made in Tanzania. This was due to increase in the access to International markets. These from 1980-1985, Tanzanian's experienced a shortage of goods including clothes. As it has already been mentioned that local initiatives of producing clothes emerged (batik and tie and dye) but with a poor quality and also expensive to the extent that not everybody could afford. It is at this time, the second hand clothes became important and its status was raised.
- Lack of enough skilled labor and management has hindered the development of textile industries in Tanzania since they have a critical contribution in the production of quality textiles that have upgraded designs with marketing skills that can demonstrate the manufacturing capabilities. Low technical skills affect machinery operations and

service. The quality of manufacturing products could be improved with investment in research and development activities; yet inadequate resources are allocated to research and development for various reasons, either because of shortage of financial resources or ignorance of the role of research and development in the improvement of quality (upgrading), efficiency and market expansion. Hence there is a serious need to develop skills in the clothing and textile industry clothes. As it has already been mentioned that local initiatives of producing clothes emerged (batik and tie and dye) but with a poor quality and also expensive to the extent that not everybody could afford clothes. As it has already been mentioned that local initiatives of producing clothes emerged (batik and tie and dye) but with a poor quality and also expensive to the extent that not everybody could afford.

- Poor economy and government policies emanating from the liberalization policy, the policy allowed free trade and thus there were a great influx of clothes from other countries
- The rise of macroeconomic and institutional constraints in Tanzania, these constraints make Tanzania to be an environment not easy to operate in. The constraints include the inadequate supply of cotton lint, lack of power/power interruptions, high power tariffs, unfair competition from imports and devaluation of Tanzania shilling hence difficult to buy spare parts for the machines.
- According to Keregero (2016) from 1980Keregero -1985, Tanzania experienced a shortage of goods including clothes resulting in local initiatives of producing local clothes (batik, tie and dye) but with a poor quality and unaffordable for many. This is due to lack of appropriate and advanced technology to be used in the textile industry, resulting to production of low-quality textiles which make people opt for other sources of textiles outside the country.
- The use of old machines and equipment. Outdated machines and equipment, and the inability to access timely new technology are revealed by a number of textile firms as a serious hindrance. Obsolete machinery needs constant costly maintenance and repair,

which has multiplier effects on the competitiveness of manufactured goods. Although some manufacturers had made attempts to adopt new technology, several had not been able to use the state-of-art technology prevailing elsewhere especially in the advanced world and emerging economies of South East Asia. The solution to this challenge should come from both the manufacturers and the government through policies that support the acquisition of new technology, some of the firms have even failed to buy advanced equipment because of small capital they have.

- **Poor Information and Communication Technology.** Nowadays, information and communication technology (ICT) is a prerequisite for any business to function effectively. ICT has made the convergence of audio-visual and telephones with computer networks possible through a single inter-phase. There are large economic incentives for using a single unified system for management, production and distribution. Industries that have not managed to automate their systems lag behind and are comparatively inefficient. In the current world manual operations and management are deemed old-fashioned. But because automation requires reasonable human and financial resources, and may at times entail changes in technology, many manufacturing enterprises have not undertaken such a radical reformation. This has an adverse effect on the competitiveness of these firms once they enter international markets where efficiently produced high-quality goods sell at lower prices.

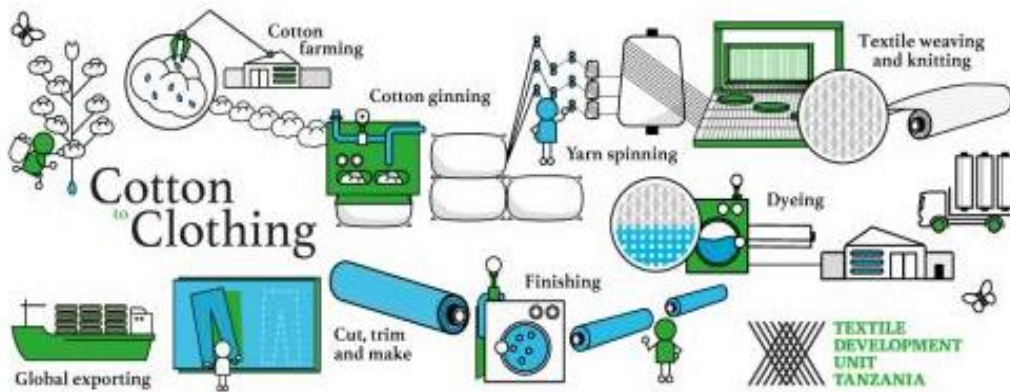
The Steps taken to revive the textile sector

- Power generation should be expanded to build confidence in the reliability of electricity supply to manufacturers. Gas and other reliable sources of energy, those not susceptible to weather changes like hydro-generation, have to be prioritized. Speeding up the implementation of the national Power Systems Master Plan is of utmost importance for the growth and development of the manufacturing sector.
- Enhanced investment in science and technology should be given greater weight to stimulate industrial development. On this front, allocation of more funds to postgraduate education on

specialized manufacturing programmes such as textile and applied research are a prerequisite. This will promote knowledge and skills development as well as a wider application of ICT.

- To foster competition in the market, targeted action to control the import of cheap counterfeits should be put in place and enforced across all types of imported goods.
- Further modification to tax reform is recommended. Tax rates have to be reviewed and synchronized to reduce multiple procedures, to lower compliance costs, and to eliminate all nuisance taxes.

Figure 2: The Textile Value Chain of Tanzania



Source:

Internet

- Measures need to be taken to promote the consumption of domestic goods so as to build a tradition of consuming Tanzanian-made products and thus expand the market for local articles.
- Monetary policy, and in particular exchange rate management, have to be implemented for greater price stability. This is necessary for controlling the costs of machinery/equipment and intermediate inputs procurement.

- Financial reforms have to be continued. Attention needs to be directed on lowering financial risks in the market to help reduce interest rates. This is pertinent to decreasing the cost of capital.
- Development of Competitive Quality Yarn Production. Extensive effort should be applied to improving yarn quality and efficiency. Contract farming should address quality and contamination problems as the lint enters the production process. Industrialists need professional guidance to upgrade their production control policies and systems and build the capacity and skills of technicians to produce better quality product. If this is achieved, then the yarn could be an attractor for knit fabric producers to manufacture for the garment industry in Tanzania.

Some Figures

Table 1. List of Textile Technology Supplying Markets to Tanzania (HS Code 8445, Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery; Unit: US Dollars and values are in 000)

| Exporters | Imported value in 2014 | Imported value in 2015 | Imported value in 2016 | Imported value in 2017 | Imported value in 2018 |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| World | 1,308,938 | 949,980 | 936,233 | 959,051 | 10,00,431 |
| China | 409,885 | 295,969 | 229,894 | 218,452 | 264,480 |
| India | 72,413 | 88,685 | 68,977 | 82,679 | 76,360 |
| Norway | 10,932 | 770 | 295 | 2,104 | 76,132 |
| United States of America | 152,116 | 68,027 | 100,105 | 56,895 | 68,214 |
| Germany | 85,423 | 55,407 | 46,494 | 52,523 | 66,464 |
| Japan | 20,099 | 21,952 | 29,103 | 128,268 | 48,260 |
| South Africa | 84,955 | 64,553 | 75,189 | 51,813 | 42,801 |
| Turkey | 21,647 | 15,474 | 10,931 | 9,121 | 41,840 |
| Italy | 16,761 | 30,127 | 28,131 | 32,433 | 29,957 |
| United Kingdom | 41,449 | 30,318 | 36,980 | 25,282 | 29,487 |
| Sweden | 28,422 | 15,272 | 37,315 | 13,811 | 27,063 |

| | | | | | |
|----------------------|--------|--------|--------|--------|--------|
| United Arab Emirates | 79,500 | 38,537 | 37,497 | 29,710 | 20,918 |
| Thailand | 12,244 | 10,778 | 10,984 | 8,788 | 16,969 |
| Switzerland | 15,657 | 9,351 | 4,578 | 4,002 | 16,691 |

Source: https://www.trademap.org/tradestat/Country_SelProductCountry_TS.aspx?nvpm

Table 2 List of Textile Technology Supplying Markets to Tanzania (HS Code 8445, Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery; Share in value in Tanzania, United Republic of s imports)

| Exporters | Imports, % in 2014 | Imports, % in 2015 | Imports, % in 2016 | Imports, % in 2017 | Imports, % in 2018 |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| World | 100 | 100 | 100 | 100 | 100 |
| China | 31.3 | 31.2 | 24.6 | 22.8 | 26.4 |
| India | 5.5 | 9.3 | 7.4 | 8.6 | 7.6 |
| Norway | 0.8 | 0.1 | 0 | 0.2 | 7.6 |
| United States of America | 11.6 | 7.2 | 10.7 | 5.9 | 6.8 |
| Germany | 6.5 | 5.8 | 5 | 5.5 | 6.6 |
| Japan | 1.5 | 2.3 | 3.1 | 13.4 | 4.8 |
| South Africa | 6.5 | 6.8 | 8 | 5.4 | 4.3 |
| Turkey | 1.7 | 1.6 | 1.2 | 1 | 4.2 |
| Italy | 1.3 | 3.2 | 3 | 3.4 | 3 |
| United Kingdom | 3.2 | 3.2 | 3.9 | 2.6 | 2.9 |
| Sweden | 2.2 | 1.6 | 4 | 1.4 | 2.7 |
| United Arab Emirates | 6.1 | 4.1 | 4 | 3.1 | 2.1 |
| Thailand | 0.9 | 1.1 | 1.2 | 0.9 | 1.7 |
| Switzerland | 1.2 | 1 | 0.5 | 0.4 | 1.7 |

Source: https://www.trademap.org/tradestat/Country_SelProductCountry_TS.aspx?nvpm

In 2017, the top partner countries from which Tanzania Imports Textiles and Clothing include China, India, Pakistan, Korea, Rep. and United Arab Emirates.

Table 3 Textiles and Clothing Imports By Country 2017

| Partner Name | Import (US \$ Thousand) | Import Product Share (%) |
|----------------------|-------------------------|--------------------------|
| China | 117,661.52 | 7.82 |
| India | 27,219.57 | 2.33 |
| Pakistan | 11,451.42 | 47.88 |
| Korea, Republic | 10,197.41 | 7.25 |
| United Arab Emirates | 9,549.90 | 1.6 |

| | | |
|-----------------|----------|-------|
| United States | 9,000.48 | 4.44 |
| Hongkong, China | 8,538.73 | 16.46 |
| Vietnam | 7,199.76 | 24.77 |
| Kenya | 6,590.34 | 3.27 |
| South Africa | 6,130.43 | 3.27 |
| Japan | 5,546.02 | 1.34 |
| Indonesia | 3,466.09 | 2.41 |
| Germany | 3,186.16 | 1.37 |
| Canada | 3,179.68 | 8.01 |
| Turkey | 2,936.69 | 3.77 |
| Poland | 2,298.08 | 4.58 |
| Bangladesh | 1,851.74 | 72.86 |
| Other Asia nes | 1,026.51 | 3.60 |
| United Kingdom | 928.33 | 0.58 |
| Australia | 738.45 | 1.13 |
| Thailand | 711.59 | 0.78 |
| Egypt, Arab Rep | 570.37 | 2.01 |
| Norway | 489.46 | 4.16 |
| Malaysia | 474.97 | 0.26 |
| Singapore | 472.87 | 0.76 |
| Uganda | 471.89 | 1.38 |
| Franca | 355.05 | 0.52 |
| Mauritius | 323.27 | 4.09 |
| Italy | 317.61 | 0.35 |
| Belgium | 282.93 | 0.44 |
| Netherlands | 265.40 | 0.31 |
| Lesotho | 247.62 | 91.15 |

Source: World Integrated Trade Solution (WITS, 2017)

List of Local Textile Sector Players: Work in Progress Expected Participants

| SN | Company Name | City/Location |
|----|-------------------------------|---------------|
| 1 | AFRITEX LTD | TANGA |
| 2 | 21st CENTURY TEXTILE MOROGORO | MOROGORO |
| 2 | GINNING COMPANY | MWANZA |

| | | |
|----|---|-----------------------|
| 3 | MUSOMA TEXTILE MILLS | MUSOMA |
| 4 | A TO Z TEXTILE MILLS | Kisongo area – Arusha |
| 5 | SUNFLAG TANZANIA LIMITED | Arusha |
| 6 | BLANKETS & TEXTILE MANUFACTURERS | DAR ES SALAAM |
| 7 | KIBOTRADE TEXTILES LTD | DAR ES SALAAM |
| 8 | NIDA TEXTILE MILLS | DAR ES SALAAM |
| 9 | AML | DAR ES SALAAM |
| 10 | CONGLIN &CO. LIMITED | DAR ES SALAAM |
| 11 | DERMA INTERNATIONAL LIMITED | DAR ES SALAAM |
| 12 | ELIAS MAGERE ENTERPRISES LTD | Musoma, MARA |
| 13 | FASHION FABRIC TEXTILE LTD | DAR ES SALAAM |
| 14 | FOMOKA TRADING AND INDUSTRY CO. LIMITED | DAR ES SALAAM |
| 15 | GLOBAL SYNTHETICS LTD | Moshi, KILIMANJARO |
| 16 | J.V. TEXTILES & GARMENTS LTD | DAR ES SALAAM |
| 17 | KARIBU TEXTILES MILLS LTD | DAR ES SALAAM |
| 18 | KILIMANJARO TEXTILES MILLS LTD | ARUSHA |
| 19 | MASUMIN TEXTILES | Songea, RUVUMA |
| 20 | MBEYA TEXTILES MILLS | MBEYA |
| 21 | M.B.TEXTILES LTD | ARUSHA |
| 22 | MOROGORO POLYSTER TEXTILES LTD | MOROGORO |
| 23 | MORCO TEXTILES LIMITED | DAR ES SALAAM |
| 24 | NATIONAL TEXTILES CORPORATION | TABORA |
| 25 | NEW MWANZA TEXTILES LTD | MWANZA |
| 26 | NEW MUSOMA TEXTILES | Mara, MUSOMA |
| 27 | NEW KILIMANJARO TEXTILE MILLS, LTD | ARUSHA |
| 28 | PABARI TEXTILES | DAR ES SALAAM |
| 29 | QUALITY TEXTILES | DAR ES SALAAM |
| 30 | TANZANIA UNIFORM & CLOTHING CORPORATION LTD | DAR ES SALAAM |

| | | |
|----|---|----------------|
| 31 | TANZANIA CLOTHING CO. LTD | DAR ES SALAAM |
| 32 | TANGANYIKA TEXTILE INDUSTRIES LTD | DAR ES SALAAM |
| 33 | TANZANIA BUSINESS WOMEN'S TEXTILE PRODUCT | DAR ES SALAAM |
| 34 | TANZANIA KNITWEAR CO. LTD | DAR ES SALAAM |
| 35 | TANDALE CARPET COOPERATION | DAR ES SALAAM |
| 36 | TANGAMANO TEXTILE MANUFACTURERS | Central, TANGA |
| 37 | TEXTILE MANUFACTURERS ASSOCIATION | DAR ES SALAAM |
| 38 | TEXTILE MANUFACTURERS OF TANZANIA (T) LTD | DAR ES SALAAM |

Resources:

<http://thecommonwealth.org/our-member-countries/united-republic-tanzania>

<https://www.afdb.org/en/countries/east-africa/tanzania/tanzania-economic-outlook>

https://www.trademap.org/tradestat/Country_SelProductCountry_TS.aspx?nvpm

<https://wits.worldbank.org/CountryProfile/en/TZA>

https://wits.worldbank.org/CountryProfile/en/Country/TZA/Year/LTST/TradeFlow/Export/Partner/by-country/Product/50-63_TextCloth