



# A 15 YEARS (2000-2015) RETROSPECTIVE STUDY ON OPPORTUNITY ACT AND THE NIGERIAN TEXTILE INDUSTRY

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## ABSTRACT

*This is a retrospective study that discusses the 15 years (2000-2015) of the opportunity act and the Nigerian textile industry. The broad objective of the study is to examine the impact of AGOA and textile industry in Nigeria between 2000 and 2015. While the specific objective is to ascertain whether the preferential access to the U.S. market under AGOA increased the volume of textile export from Nigeria to the U.S. between 2000 and 2015. Findings revealed that Nigeria stands a better chance of gaining from the benefits of globalisation and AGOA given the trend and pattern of the present global political economy. But, the benefits have not been translated into development that will alleviate poverty, better the living standard of the people, create job opportunities, improve the technology, security, and governance. The study conclusively called for Nigeria to diversify its economy so as to achieve rapid and substantial strengthening of export base within a short time. Moreover, attempts should also be made to remove all impediments on the agricultural sector and other AGOA desired products. This will not only boost its output and export but will also take advantage of the provisions under tropical product.*

**KEYWORDS:** *Human capital, Opportunity Act, Poverty alleviation, Trade liberalisation, unemployment.*

## INTRODUCTION

The African Growth and Opportunity Act, has been operative for more than one decade and Nigeria being one of the African States successfully incorporated into this world's capitalist economy is yet to showcase its benefits from this incorporation. African political economy is indeed classified as largely underdeveloped. In fact, most of the African states are besieged by retarded economic growth, spiral inflation, currency devaluation, trade deficit, external debt burden, poverty, illiteracy, unemployment, disease and inadequate socio-economic infrastructure, poor macroeconomic management, political instability amidst intractable population explosion and low life expectancy as well as terrorism and devastating corruption (Okolie, 1999:11). In fact, extant literature divides states as either living or dying economies. Unfortunately, Nigeria, like most SSA countries are categorised under the dying economies. As a result of this, U.S. and indeed its western allies encourage bilateral and multilateral trade initiatives with sub-Saharan African states essentially to ginger the economies of Africa to grow.

Nigeria having met the AGOA eligibility criteria such as: progress towards establishing market based economy, representative government, strengthening the rule of law, combating corruption, eliminating barriers to U.S. trade and investments among others has since then engaged in the U.S. volume of trade which has continued to increase. In 2006, the U.S. was on record to have earmarked \$394 million for trade capacity building activities in Sub-Saharan Africa (AGO News, 2009). Again, beyond trade and investments and the requisite improvements in the socio-economic and political framework necessary for these objectives to be attained, the main overarching goal of AGOA remains that of helping African countries reduce poverty. Yet, poverty reduction is only possible if trade and investment lead to higher growth (and hence increased income) and/or reduce inequality through an improved redistribution of wealth. Akinyemi *et al.* (1989:17) observed that "the intense economic intercourse between Nigeria and the U.S. has necessitated condition of political and policy



misunderstanding between the two countries". Olusanya and Akindele (1986:6) also remarked that "America had consistently frowned at Nigeria for protracted military rule, yet economic relations between both countries continued smoothly because of U.S. economic interest in Nigeria". Shapouri and Trueblood (2003) aptly argued that the United State has made an attempt to assist in reversing the deteriorating economic trends by passing the African Growth and Opportunity Act (AGOA), which was signed into law in May 2000, as part of the Trade and Development Act of 2000. They also stated that AGOA provided preferential access to United States markets for eligible products from designated countries of Sub-Saharan Africa (SSA) as well as improved access to the U.S. credit and technical expertise.

Similarly, Asobie (2004) contends that AGOA is a U.S. trade legislation which seeks to open the U.S. market to African exports particularly African fabrics, fashion and agricultural products duty free. According to him, AGOA seeks to promote good relationship between Africa and the United States and develop partnership through trade and investment incentives particularly with African countries undertaking economic and political reforms. In the same vein, Nafukho (2003) contends that AGOA was designed to facilitate socio-economic growth in selected Sub-Saharan African countries through trade rather than aid. Furthermore, Mattoo and Subramanian (2002) noted that AGOA aims broadly at improving economic policy-making in Africa, enabling countries to embrace globalisation, and securing durable political and economic stability. However, Eme (2009:198) argues that despite the large volume of investments in development aid, Sub-Saharan African countries remain little better than it was decades ago. In addition, he argued that the gains of AGOA are limited as a result of the United States' manipulation of her trade policies.

Marwa (1999); Obadan (1999) and Nzeku (1999) agree that there is a transition period before sectors can expand and that there are some sectors that can expand more rapidly than the others. They also argued that the textile sector has a comparative advantages and with better competitive edges over other sectors. Although these scholars were apt in their analysis, they, however, failed to determine whether AGOA has increased the volume of textile export from Nigeria to the U.S. as from 1999 through 2015. Meanwhile, Itua (2011); Eburajolo (2011) and Nze (2012) observed some of the factors behind the rot in the Nigerian textile industry. They also noted that Nigeria relies more on import while its once vibrant industries are facing near extinction. Although they were extensive in discussing the manufactures and export of textile products, they nonetheless failed to illuminate academic debates on the role AGOA is playing in the export of textile from Nigeria to the U.S. Moreover, none attempted to determine whether AGOA has enhanced the trade relations between Nigeria and United States with the period under study. These gaps electrified the need for the present study that onerously discussed the Opportunity Act and the Nigerian textile industry.

## LITERATURE REVIEW

The introduction of trade preferences in Sub-Saharan Africa came after the post colonial era. The preferential access to developed markets was seen as a way to quickly integrate these countries into the global economy. The African Growth and Opportunity Act (AGOA) was signed into law by the US Congress on May 18 2000, with the broad objective of boosting exports from Sub-Saharan Africa to the US by eliminating tariff barriers on a large number of their exports. Hence, the concept of AGOA has aroused the interest of many writers who tried to examine this under the auspices of globalisation owing to the fact that it has been yielding results since its inception.

Carrere (2004) examined the impact of the five major African regional trade agreements and two major currency unions in Africa over the period 1962 through 1996 and finds that they increased trade among members. Here, we evaluate the impact of nonreciprocal trade preferences. One might expect a smaller effect on trade, as the United States did not obtain anything in exchange for its concessions, and the law required that the items included on the AGOA list not be import sensitive. The major preference regime offered by most developed countries to imports from developing countries is the Generalised System of Preferences (GSP): the rule for eligibility is set by an income threshold. Rose (2004) finds a significant effect of the GSP on trade volumes, but an insignificant effect of the GSP GATT/WHO. Romalis (2003) finds in addition that GDP growth rates of countries most affected by the establishment of the GSP increased significantly. AGOA involves the addition of a large number of products to the U.S version of the list of products that are offered duty-free access. Hoekman, Ng, and Olarreaga (2002) estimate the potential effect on exports from least developed countries (LDCs) of the removal of tariffs on high-tariff items (above 15%) in the United States, Japan, Europe, and Canada at 11% of total exports. Ianchovichina, Mattoo, and Olarreaga (2001) estimate the potential impact of preferential market access for a set of 37 Sub-Saharan African countries to the same countries and predict that African exports would increase considerably, by approximately 14%. In contrast, the products newly added to the GSP list under AGOA had an average tariff rate of only 4.1%, and



the expected impact is likely to be much smaller. (The tariff rate is measured as an average of the ad valorem tariff rate and the ad valorem equivalent for specific tariffs).

Several other papers have suggested that the impact of AGOA could well be very limited. Collier and Gunning (1999) do not consider developed-country tariffs significant impediments to growth in Africa. Limao and Venables (2001) find that the relatively low level of African trade flows “is largely due to poor infrastructure” (Limao and Venables, 2001:451). Rodrik (1998) studies the possible causes of poor export performance in Africa and suggests that the dominant causes are low levels of per capita income, small country size, poor geography, and domestic (African) trade policy. Morrissey (2005:1145) notes that “there are many explanations as to why the export response to trade liberalisation in SSA has been limited”, and he highlights a few, including transport costs and natural barriers to trade. Wang and Winters (1998), in summarizing a set of World Bank technical papers, find that “the evidence suggests that it is African countries’ own trade policies and not those of their partners that must be changed in order to promote growth”, a view echoed by Yeats *et al.* (1996).

In one instance where an African country has liberalised its trade policy, in Uganda, it has not immediately led to expanded exports (Morrissey and Rudaheranwa, 1998). Specifically, they find that despite significant liberalisation on imports and the foreign exchange market, and the abolition of export taxes, export earnings did not increase. Milner, Morrissey, and Rudaheranwa (2000) offer a partial explanation, as they find that for Uganda, even after export taxes are abolished, transport costs remain a significant constraint on trade. Overall, then, AGOA might not have (much of) an impact in the African context for a number of reasons.

To our knowledge, Mattoo *et al.* (2003), Gibbon (2003), and Brenton and Ikezuki (2004) are among other studies of the impact of AGOA. Mattoo *et al.* (2003) predicted the effects *ex ante* using information on pre-AGOA tariffs and assumptions on supply responses. Their conservative estimate was that AGOA would raise Africa’s nonoil exports by 8% to 11%. For a country like Mauritius, they expected exports to rise only 5% from 2001 to 2004. Absent the rules-of-origin requirements on yarn, which Mauritius turned out to be exempt from, an export increase of 36% was expected. For a lesser developed country such as Madagascar, they assumed a five times higher (export) supply response and predicted an export increase for textiles of 92%.

Gibbon (2003) analyses the initial AGOA response (in 2002) in the South African apparel sector from a global commodity chain and global value chain perspective to supply what kind of enterprises could take advantage of AGOA. Brenton and Ikezuki (2004) advocate the renewal of the unrestricted fabric-sourcing rules that were set to expire at the time of their writing – which did happen. Using data up to 2002, they show increased exports of AGOA – eligible products for some countries, but they also provide suggestive evidence that the rules of – origin requirements depressed exports and lead to underutilisation of existing preferences.

Different development economics authors variously analysed in extant literature the effect of globalisation on textile manufacturing industries in a particular country. Globalisation is the blanket term to describe the processes through which sovereign national states are criss-crossed and undermined by transnational actors with varying prospects of power, orientation, identities and networks (Beck, 2000:11). Merriam-Webster (2012), defines it as “the development of an increasingly integrated global economy marked by free trade, free flow of capital, and trapping of cheaper foreign labour markets”. It is a process of converging or a confluence of economic, political and cultural systems. Globalisation is a trend that features the emergence of transnational trade agreements, liberalisation of trade, adoption of world standards and democracy (Merriam-Webster, 2012). Marwa (1999), aptly remarked that globalisation has a transforming power. It has the ability to transform any economy or any part within the economy. It is the latest technology that interconnects nations and societies of the world by reducing physical distance via transfer of information at a very high speed with the possibility of by-passing any country (ies) especially when such country is not fully integrated.

According to Obadan (1999), more effective governance may possibly be indispensable if the challenges of globalisation such as: widespread push towards liberalisation of trade and capital markets; increasing internationalisation of corporate production and distribution, technological change that is rapidly dismantling barriers to the international tradability of goods and services, mobility of opportunities for developing countries to participate in the benefits of globalisation are met. This he said will promote efficiency, productivity and a conducive environment for exports and foreign investment (Obadan, 1999).

The Nigerian textile industry is one of those industries that can easily benefit from globalisation because their needed inputs could be totally sourced domestically. Hopefully, this industry will gain from globalisation exercise provided there is sufficient development of human and institutional capacity, physical infrastructure as well as policies necessary to benefit from the gains of globalisation. Therefore, this is a chance for Nigeria to participate effectively in the global trade. Nzeku (1999) observed that before sectors can expand, they must pass a period of



transition in which case, some sectors can expand faster than the others. These sectors are those with comparative advantages and with better competitive edges over others which might lead to increase in productivity and growth of the economy.

The textile industry in Nigeria can solidly grip on globalisation only if there is productivity growth in the industry. Productivity here is related to efficiency and effectiveness. Lawlor (1985) summarised productivity as a comprehensive measure of how efficient and effective an organisation or economy satisfies five aims like: objectives, efficiency, effectiveness, comparability and progressive trends. Efficiency and effectiveness according to Scott (1983), are measures of performance just as productivity is also a measure of performance. However productivity is conceived, it simply means that there must be an incremental gain in production in relation to the expenditure on measures utilised. Differential productivity advances among industrial sectors reflect differential productivity efficiency, if a particular part is blessed per se with local raw inputs then, productivity will hopefully increase. Certainly, the textile industry in Nigeria has the potential of adding productivity and benefit from globalisation.

As a matter of fact, majority of the inputs in textile industry could be sourced domestically. By implication, it has the potentiality to compete favourably with other industries in the global economy since it can source its input locally, it can then penetrate the global market. Hence, it is expected that the marriage between the textile industry and globalisation will be favourable. The impact of globalisation on the textile industry's export performance in Nigeria between 1980 and 2007 was examined by Loto (2012). Export demand equation model was used to analyse this impact. The study made use of time series data. The method of Least Square (OLS) regression model was applied. The long-run stability of the variables used was tested by making use of the unit-root test. The co-integration test was also performed to detect whether the variables moved along the same path or not. The error correction test was equally performed to detect the speed of adjustment to equilibrium in the case of sudden shock. The results show that globalisation has negative relationship with the textile industry in Nigeria. In any case, globalisation may add to the expansion in the textile industry's export via the importation of high technology capital inputs. The Granger Causality test was equally performed to detect the direction of causality between textile industry's export performance and globalisation. The Granger Causality shows that there is a feedback or a bi-directional causality between globalisation and textile industry's export. Conclusively, he noted that the indicator of openness is negative and very significant. This implies that globalisation impacted negatively on the textile industry's export performance in Nigeria from 1980 to 2007. The error correction model indicated that the world income and importation of modern technology might cause expansion in textile industry's export performance. This shows that, if the world income increases and there is increase in the importation of capital inputs in textile industry, this might bring about increase in demand for Nigerian textiles in the future.

Scholars like Eneji, Iwuayanwu, Drenkat and Rong (2012), remarked that the textile industry in Nigeria is the third largest in Africa after Egypt and South Africa. The textile industry is the largest employer of labour in the manufacturing industry which is mainly controlled by large private-sector firms, sometimes with strong foreign participation. The challenge being that low productivity levels limit export possibilities. Meanwhile, the strong freed economic environment and the chance Nigeria gives to avoid quota limitations under the Multi Fibre Agreement (MFA), which is not applicable to Nigeria, has stimulated some foreign entrepreneurs, mostly from Asian countries to establish export-oriented plants. The Nigeria-China trade relationship has since 1971 grown continually to the extent that the volume of trade between the two countries in 2009 reached \$6.373billion. The complete structural model is constructed with market equilibrium identity, such that total supply of agricultural, industrial, and oil sectors equal aggregate demand so as to analyse the effects of higher imports over exports on the textile industry and the aggregate economy. The effect of imports on other macroeconomic variables was tested using nth order vector-regressive model. To make the textile industry in Nigeria internationally competitive, more private investments are highly needed in the sector. They observed that local textiles have been produced in Nigeria for many years; yet, the real industrial activity in the production of textile is relatively recent. The Kaduna Textile Mills was established in 1956 after some minor efforts, followed by the Nigerian Textile Mills in 1962 (Jamie, 2007). These companies were conceived as vertically integrated from the beginning of its establishment to convert traditionally available raw materials – mainly cotton - through spinning for the production of yarn, weaving for the production of grey cloth, and dyeing, printing and finishing for the production of finished textiles. Presently, the industry has developed to integrate fibre production, spinning, weaving, knitting, lace and embroidery makings, carpet production, dyeing, printing and finishing. The industry produces different types of fabrics yearly, ranging from African prints, shirting, embroideries, etc. To Guinea brocade, wax prints, jute and other products.





Itua (2011) remarked some of the reasons for the rot in the Nigerian textile industry that made it to dwindle, which in fact was the glorious economic base of the country. Not much has been witnessed even with all the promises of government to revamp the sector that presents so much potential for the economy. Not very many of the people are aware of the forces that bedevilled the once vibrant industry to a halt. Moreover, that the indices for measuring growth in any developed or developing economy is basically the production power of that county. The bulk of these parameters are formed by the industries. But, the story is different in Nigeria where more than 80% of all finished consumer goods are imported.

He in addition observed that, Nigeria depends more on import while its former flourishing industries are grinding to a halt. Between the late 1950s and early 1990s, the textile industry played a significant role in stemming the tide of unemployment hence, its present condition attracts serious public debate. The Kaduna Textile Mill was the first modern textile industry that commenced production in 1956. The main objective for setting up the mill was to process the cotton being produced at the time in the northern part of Nigeria. The Nigerian textile industry grew to becoming the third largest textile industry in Africa by the 1970s and 80s.

During that glorious days of the textile industry, the United Nations University (UNU) in 1987 noted that there were 37 textile industries in the country operating 716,000 spindles and 17,541 looms. The sector recorded a yearly growth of 67% between 1985 and 1991, by 1991; it employed about 25% of the workers in the manufacturing industry. Regrettably, this money spinning industry of the country is in a comatose stage for so many reasons ranging from the fibre problem.

Eburajolo (2011) reacting to the above instances, blamed the collapse of the textile industry on the quick incorporation of Nigeria to the WTO in 1995. Arguing that, Nigeria had to remove any protection of the local textile industry among others in accordance with the WTO principles. That, preferably, Nigeria would have made special arrangements with the WTO in such a way that the domestic textile industry would be shielded from attacks until it is guaranteed that it can favourably compete with others. Adding that before the expiration of MFA, the United States introduced the AGOA which was an initiative that opened up the American market to African states. At the same time, hitherto the expiration of the MFA, textile products were one of the fastest growing exports to the US under AGOA. In any case, Chinese exports increased rapidly and competed stronger than the African companies. This pointed to the cradle of the collapse of the textile industry in Africa especially Nigeria.

## DISCUSSION OF FINDINGS

**U.S. Trade in Goods with Nigeria (in billions of dollars)**

	2000	2006	2008	2009	2010	2011	2012	2013	2014	2015
Balance	-9.8	-25.6	-34.0	-15.4	-26.4	-28.9	-13.9	-5.3	2.1	1.5
Imports	10.5	27.9	38.1	19.1	30.5	33.8	19.0	11.7	3.8	1.9
Exports	0.7	2.2	4.1	3.7	4.1	4.9	5.0	6.3	5.9	3.4

Source: United States Census Bureau <http://www.census.gov/foreign-trade/balance/c7530.html>

Nigeria-US-trade is dominated by energy and energy related products (oil and gas) while other sectors contribution remained insignificant. However, agricultural products exports to the US continued to increase over the years. Exports of agricultural products to US in 2012 were valued at \$80.83 million an increase of about 20% when compared with \$58.78 million recorded in 2010; according to the review of AGOA by Nigerian Exports Promotion Council (NEPC). Other products that featured in Nigeria's bilateral trade with US include: forest products, chemicals and related products, textiles and apparel, minerals and metals machinery, transportation equipment, electronic products etc (see table on Bilateral Trade by Sector: US-Nigeria).



**Bilateral Trade by Sector: United States – Nigeria**  
 Value (‘1000 dollars)/Year-to-date is January-March

Sector		2010	2011	2012	2012 YTD	2013 YTD
Agricultural products:	Exports	969,501	1,362,903	1,084,896	284,926	294,04
	Imports	58,788	83,903	80,836	19,501	25,567
	AGOA (including GSP provisions) imports	3,363	3,159	3,523	1,008	823
	GSP imports	2,299	2,225	2,107	550	763
	AGOA imports	1,064	934	1,417	458	60
	Forest products:					
	Exports	64,340	84,947	49,701	14,572	13,063
	Imports	352	334	558	112	77
Sector		2010	2011	2012	2012 YTD	2013 YTD
	AGOA (including GSP provisions) imports	76	57	57	14	11
	GSP imports	76	57	57	14	11
	AGOA imports					
Chemicals and related products:	Exports	235,424	319,187	277,029	57,022	80,688
	Imports	737,515	406,863	118,582	56,811	51,938
	AGOA (including GSP provisions) imports	1,229	2,507	3,376	1,500	91
	GSP imports	1,229	2,507	3,376	1,500	91
	AGOA imports					
	Energy-related products:					
	Exports	616,933	631,225	1,004,654	89,905	375,120
	Imports	29,147,748	33,309,666	18,837,677	3,968,789	3,922,535
	AGOA (including GSP provisions) imports	25,152,716	31,002,733	17,721,353	3,754,119	3,690,928
	GSP imports					
	AGOA imports	25,152,716	31,002,733	17,721,353	3,754,119	3,690,928
Textiles and apparel:	Exports	17,031	15,715	18,695	4,419	3,972
	Imports	58	70	849	753	10
	Sector	2010	2011	2012	2012 YTD	2013 YTD
	AGOA (including GSP provisions) imports		1	799	748	2



	GSP imports		1	1		2
	AGOA imports			798	747	
Footwear:						
	Exports	3,652	5,177	4,243	645	1,153
	Imports	33	45	5		3
	AGOA (including GSP provisions) imports		38			
	GSP imports					
	AGOA imports		38			
Minerals and metals:						
	Exports	85,388	123,152	155,329	34,269	36,045
	Imports	16,316	561	1,623	86	1,417
	AGOA (including GSP provisions) imports	14	22	454		875
	GSP imports	11	22	454		875
	AGOA imports	3				
Machinery:						
	Exports	353,640	317,805	378,333	97,299	94,481
	Imports	397	964	368	137	378
Sector		2010	2011	2012	2012 YTD	2013 YTD
	AGOA (including GSP provisions) imports	214		49	30	
	GSP imports	190		49	30	
	AGOA imports	24				
Transportation equipment:						
	Exports	1,366,091	1,622,452	1,751,597	369,751	416,588
	Imports	388	1,240	380	23	141
	AGOA (including GSP provisions) imports	3				
	GSP imports	3				
	AGOA imports					
Electronic products:						
	Exports	160,028	149,404	177,082	44,430	50,478
	Imports	457	597	739	108	153
	AGOA (including GSP provisions) imports	60	2	12	2	4
	GSP imports	60	2	12	2	4
	AGOA imports					



Miscellaneous manufactures:						
	Exports	63,913	33,124	26,487	4,945	7,968
Sector		2010	2011	2012	2012 YTD	2013 YTD
	Imports	3,062	3,594	7,504	737	1,441
	AGOA (including GSP provisions) imports	15	1	4		
	GSP imports	15		4		
	AGOA imports		1			
Special provisions:						
	Exports	40,278	41,092	48,574	12,728	17,191
	Imports	12,017	26,752	31,278	3,545	7,500
	AGOA (including GSP provisions) imports					
	GSP imports					
	AGOA imports					
All sectors:						
	Exports	3,976,221	4,706,183	4,976,621	1,014,911	1,390,788
	Imports	29,977,131	33,834,588	19,080,400	4,050,601	4,011,160

	AGOA (including GSP provisions) imports	25,157,691	31,008,519	17,729,626	3,757,420	3,692,735
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	GSP imports	3,884	4,814	6,059	2,096	1,746
	AGOA imports	25,153,807	31,003,705	17,723,567	3,755,324	3,690,988

US Department of Commerce

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(Culled from NEPC)

The textile and clothing industry is a unique industry in the world economy because most developed countries, newly industrialised and developing countries use this industry as the springboard for their development. In fact, it is a lee way for economic development for a country like Nigeria with a monocultural economy. It will spur development as a result of economic diversification. Textile and clothing industry is an industry that can absorb millions of people because men and women are employed here. The industry requires a very low entry barrier; it does not need huge capital to start and workers with relatively low skills are required to set up the industry. Moreover, the industry is the most protected of all manufacturing industries in the world economy. The industry is highly competitive.

Historically, global textile exports reached a high level of 203 billion US dollars in 2005 and this value has nearly doubled from the 1990 level of 104 billion US dollars. Broadly speaking, the immediate effect of the expiry of quotas in the textile industry was a gain for developing countries and a loss for developed and semi-developed economies in Asia and European Union (EU). The export growth of the Chinese textile industry is remarkable as it recorded an increase of 22.8 percent from 2004 to 2005, so that more than 20 percent of textiles traded in 2005 originated in China (WTO, 2006a). Other developing countries in Asia also experienced a significant growth during the first year post-Agreement on Textiles and Clothing (ATC) – for example, exports from Bangladesh, India, Indonesia, Malaysia, Pakistan and Thailand grew at between 7 and 15 percent. On the other hand, textile exports





from the top producers in East Asia – Hong Kong, Japan, Republic of Korea, and Taiwan – decreased by 3 – 4 percent from 2004 to 2005. The European Union, the largest textile exporter in the world, also experienced a loss of exports in both intra – and extra – European Union markets, recording reductions of 7.2 and 3.3 percent respectively. Textile exports from Asia to Africa, Europe and North America increased by 14 – 20 percent after the expiry of quotas (WTO, 2006a:66). In 2015, China, the European Union and India remained the top three exporters of textiles accounting for 66.4 percent of world exports. The United States remained the fourth top exporter in 2015. In the same vein, the top three exporters of apparel include China, European Union and Bangladesh. They altogether, accounted for 70.3 percent of world export. (<https://shenglufashion.wordpress.com/2016/07/27/wto-reports-world-textile-and-apparel-trade-in-2015/>). And in Africa, the largest exporter of apparel is Kenya, followed by Lesotho, Mauritius and Ethiopia. Lesotho's largest private employer is the textile and garment industry creating jobs for approximately 36,000 Basotho, mainly women, work in factories producing garments for export to South Africa and the United States (AGOA.info, 2016).

The interest of the textile manufacturers in Nigeria was rekindled following the initiative by the Federal Government to raise ₦70 billion, Textile Development Fund through bonds of five-year period; as disclosed by the Director General of Nigerian Textile Manufacturers Association (NTMA). That, the fund was to assist cotton growers, textile manufacturers and other industry operators via the Nigerian Export Import Bank (NEXIM) but the United Bank for Africa (UBA), which was to assist the Federal Government market the bonds, could not do so. The initiative by the Trade and Investment Ministry to resuscitate the textile industry via reinvestment of a 20 percent levy on imported textile materials according to the President of NTMA was to consolidate its intervention in the industry hoping that it will go back to the development of the textile industry.

The Nigerian textile industry as we know was the second largest in Africa with over 250 vibrant factories operating above 50 percent capacity utilization after Egypt in 1997; having a share of about 20 percent of Nigeria's textile products with the balance of 80 percent being imported. Regrettably, this sector which spins about \$1.3 billion yearly for the country has been in a deplorable condition for decades compelling over 175 companies to wind-up and rendering more than 250,000 workers jobless. This was consequent upon smuggling at borders, high operative cost arising from prohibitive raw materials, energy cost, failed government policies and lack of political will by the politicians to industrialise the economy. We seem to forget that the shameful state that we found ourselves today was caused by infrastructure and competition problem. The fundamental mistake by the government was the incorporation of Nigeria's economy into the World Trade Organisation (WTO), at the time when the industrial base of the country was still very weak. The adoption of the Agreements on Textile and Clothing in 1995 by WTO stipulating that all quotas on textile and clothing will be removed among her member states only turned out to favour China; of which their global textile market is worth more than \$445 billion and textile and garment alone amounting to \$291 billion in 2015.

The NTMA Director-General further noted that money accounts for a small percentage of the problems of local textile production. Hence, the banks are not interested in granting loan to it or investing in the sub-sector. However, power supply is a major challenge among others. He insisted that however plausible re-inventing the import levy towards revamping the endangered textile sector may be, it is not enough. This is because; the market share for local mills is only around 25 percent and rapidly decreasing and losing out to cheap imports. There are further incidentals losses for a good number of dependents. Secondly, given the instability in the power supply to the factories, many units rely on diesel-generated power for their operations in view of steady increase in fuel prices putting the viability of such operations in doubt. Another endemic issue faced by the factories is availability and cost of water.

He also remarked that anyone who invests in production for export can take advantage of the AGOA initiative which opened up the American market to African countries. Meanwhile, going by the experience from the patronage of smuggled products, Nigeria is as well a large market. Meaning that production for local consumption could be a beneficial venture even though that high cost of production and resultant scarcity of investment in the sector continue to retard the growth of the sector and the export of textile to the U.S. under AGOA.

The persistent collapse of the textile industries as observed by Nze (2012) poses a fundamental threat to government's efforts towards tackling the problem of unemployment among Nigerians because the textile industry is noted for its great job opportunity to the populace during its boom. At that golden era in 1987, according to the United Nations University (UNU), there were 37 textile firms in the country operating 716,000 spindles and 17,541 looms. Between 1985 and 1991, it recorded a yearly growth of 67 percent, and as at 1991, it employed about 25 percent workers in the manufacturing sector.

Nigeria used to be a major supplier of good quality wax-resist textile, popularly known as Ankara-Nigeria according to the President of MAN. But this feat was lost in early 2000, to cheap imitations of these products made



and exported from China to West Africa. Their goods were even labelled Made-in-Nigeria or Made-as-Nigeria and sold in Nigeria. That, the problem of the sector encompasses the difficulty of access to finance, very high lending rates which are more than 45 percent in some instances in the country, inflation problems, poor state of transportation, power, and other infrastructure that were necessary for industrial production.

Efe (2012) remarked that there was a time in Nigeria when the textile industry was the highest employer of labour, when the industry generated a yearly turnover of \$8.95 billion; an average of 25% of the sector's gross domestic product (GDP) which accounted for not less than 10% of corporate income taxes. Apart from South Africa, Nigeria had a fixed investment of \$4 billion representing 63 percent capacity of textile manufacturing in West Africa and controlled 60 percent of textile market in Nigeria. The sub-sector at that time had 175 functional textile mills that employed over 800,000 people. However, the capacity utilisation in the industry dwindled to 20.14 percent in 2010 from 50.75 percent in 2003 while many surviving textile industries are near extinction. In addition, the number of textile and garment factories fell from 175 in the mid 1990's to about 25 in 2008 (Efe, 2012); resulting in the collapse in cotton lint production from 98,000 in 2006 to 55,000 tons in 2010 and export of cotton reduced from \$44 million to \$31 million at that same time. In fact, the sector is striving to survive as it has gradually become moribund.

In 2010 according to the Director of Nigerian Textile Manufacturers Association, the government of the former President of Nigeria, Goodluck Jonathan introduced a ₦100 billion Cotton, Textile and Garment Revival Scheme (CTG) managed by BOI to change the ugly trend and ensure a rapid revitalisation and upgrading of the whole of CTG value-chain. The fund which was disbursed in 2009 to three firms totalled ₦7.195 billion and by June 2012, a total of ₦41.1 billion had already been disbursed to 56 successful applicants by BOI. The capacity utilisation in this sector as noted by the Chairman of MAN has increased remarkably from 29.14 in BOI 2010, to 49.70 percent in 2011 and a good number of the previous moribund textile mills were opened-up again giving back jobs to about 8,070 while 5,000 new jobs were created.

The textile preferences have continually been attacked by other exporters even though the AGOA permit of certain African exports to penetrate the US quota and duty-free has been a great boom to textile producers in some of the poorest African countries. The Africa's textile and garment manufacturing industry received a total of \$855 million industry-saving shot with a three-year extension of the vital fabric aspect in the US's AGOA to fight the influx of cheap Chinese imports. Hence, Africa's textile spinners, weavers and garment makers have for more than a decade now weathered the worst effects of China's clothing invasion by marketing their produce tariff, quota and duty-free to the vast and lucrative American markets.

The value of apparel exports to the U.S. under AGOA has grown to over 250 percent from \$355 million in 2001 to over \$907 million in 2013 (Joshua, 2016). While in 2014, it reached \$986 million, up nearly six percent over 2013 (AGOA news, August 28, 2015). The largest African exporter of apparel is Kenya, followed by Lesotho, Mauritius and Ethiopia. In 2014, Kenya exported \$423 million worth of apparel to the United States under AGOA; Lesotho \$289 million; Mauritius \$227 million and Swaziland \$77 million.

## CONCLUSION AND RECOMMENDATION

Taking cognisance of the nature and character of Nigeria's political economy, we understood that Nigeria stands a better chance of gaining from the benefits of globalisation and AGOA given the trend and pattern of the present global political economy. But, the gains has not been translated into development that will alleviate poverty, better the living standard of the people, create job opportunities, improve the technology, security, and governance. The study recommends that:

1. Nigeria should endeavour to sustain democracy and ensure maximum security so as to attract more capital inflows necessary for sustained development of the political economy.
2. There is need for Nigeria to diversify its economy so as to achieve rapid and substantial strengthening of export base within a short time. Moreover, attempts should also be made to remove all impediments on the agricultural sector and other AGOA desired products. This will not only boost its output and export but will also take advantage of the provisions under tropical product.
3. Stringent monitoring, supervision and evaluation mechanisms should be put in place to check-mate corruption and ensure maximum implementation of policies and programmes.

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