

***Regional EPZs/Free Ports:  
Opportunities, Supply &  
Demand***

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## Demand Situation

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- We have been told that garment companies in the Kenya EPZ utilized 67.3 million SMEs of various types of fabrics last year. These include, Denim(22.0), Cotton Twill(27.6), Polyester Cotton(4.6), Cotton Knit(4.5) and Polyester(2.6).
- Almost all fabric was imported from Asia. The manufacturers settled an import bill of \$100 million.
- The problem here is the long lead times and high cost of transport, and of logistics and hinterland haulage where applicable.

# Demand Situation

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- EPZ apparel manufacturers used \$45 million worth of accessories in 2004. Buttons, Zippers, Labels, Thread, Hangers, Hang Tags, Poly Bags, Cartons, etc.
- Though there has been an increase in utilization of some local components, such as, thread and cartons, most of the accessories are imported.
- There is over-reliance on a single market outlet, making the industry very vulnerable. Opportunities for market diversification exist.

# Supply Situation

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- We have noted a lag in the development of a national backward linkages textile and clothing industry.
- We have experienced limited efforts in upgrading of mills to supply good quality textiles at competitive prices.
- The textile market has failed to take advantage of supplying a guaranteed market.
- The supply situation is way below demand at regional and national levels.

## Today's Question

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- Given this scenario, what opportunities exist and how can EPZs in the region be utilized to exploit them.

# The Role of EPZs

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- EPZs are there to increase trade capacity and enhance development.
- They provide a link in the supply chain and this ought to be an effective and efficient one.
- EPZs can be effective tools in developing a regional value chain for textile and clothing.
- EPZs can, and have been very useful instruments for promoting production sharing. Thinking regionally, therefore, they present opportunities for production sharing.

## **Role of EPZs Cont...**

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- EPZs can be used to promote outward processing and regional contract manufacturing work.
- EPZs can be used to promote regional distribution activities.
- When critical mass is achieved, regional sourcing centers spring up.
- EPZs gives the clothing industry a competitive edge by removing all kinds of distortions.

# Investment Opportunities

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- Establishment of various types of fabrics and accessories manufacturing units. Initially, these units may only supply a small % of raw materials required by the industry.
- Investment in regional supply chain networks. Each country will have to find its competitive place in the supply chain network.
- Investment in existing textile mills in technology upgrading and capacity utilization. This should particularly be attractive to groups in clothing export trade. This will strengthen their position in the market.

## **Trade Opportunities**

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- Regional distribution of basic fabrics and accessories for supply to manufacturers at short notice.
- Manufacture and supply of chemicals for washing, dyeing, etc.
- Assembly, supply & backup services in machinery repair and servicing, including supply of spares.

# Other Opportunities

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- Design and marketing of current and emerging brands. Post 2005, a buyers market is emerging, forcing industrialists to market directly to buyers. Pre-2005, most apparel manufacturers concentrated in productivity & logistics.
- Opportunities in services: garment washing, embroidery, hand work, etc. –appropriate to small scale suppliers.
- Establishment of buying offices & logistic centers for regional and global distribution of brands.
- Establishment of for-profit training institutions.