

**A STUDY ON THE PROMOTION OF THE GHANAIAAN TEXTILES INDUSTRY  
THROUGH THE GHANA TRADE AND INDUSTRIAL POLICIES**

**By**

**TWINTOH, FRANCISCA**

**THESIS**

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

for the degree of

**MASTER OF PUBLIC POLICY IN ECONOMIC DEVELOPMENT**

2012

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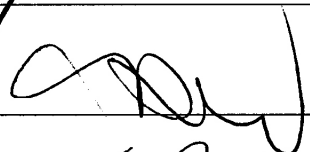
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## **ABSTRACT**

Many governments of different countries have reformed and restructured their policies to ensure the growth and the sustainability of their countries in attaining economic development. International Trade is said to be the cause of the boom of many economies including the miracle of the East Asian economies. It is also said that gains from trade can be possible only if the economies put in place the right measures to control certain malpractices that prevent the gains from international trade. However, for trade to be beneficial a country must capitalize on its expertise (comparative advantage) and also engage in trade in areas where it has a lesser comparative advantage by importing. This study makes a comparison of the Ghanaian textiles industry to the India and Pakistan textiles industry by benchmarking their policies and how they implemented their policy to that of Ghana.

From the study conducted therefore it was revealed that for the Ghana Trade or Industrial Policies to be effective and achieve its set goals and targets there must be the presence of enhanced coordination between institutions, implementing agencies and all stakeholders of the industry. Also the benchmarking method applied to the study as shown by evidence from Pakistan and India indicated that Ghana needs to have the right framework or model for policy process and implementation in order to achieve the set goal.

Finally, it was also shown that trade liberalization is a good tool for a country to attain sustainable and economic growth as well as development. The only means to ensure these benefits is that countries must put in place the right measure (regulations) and ensure that these regulations are implemented very well to check the irregularities that can rip the benefits of the trade just as India and Pakistan did to their market.

## **DEDICATION**

**This thesis is dedicated to my late father EX. WOI Francis Twintoh and my wonderful family, Mummy, Charlotte, Florence and Veronica.**

## ACKNOWLEDGEMENT

I owe my God a heartfelt gratitude for the strength that He gave me to come this far, it has been by His grace that sustained me and ordered my thoughts. I am indebted and sincerely grateful to my advisors Professor Jin Park and Professor Lee, Sung – Joo for their immeasurable counsel, criticism and advice that has contributed to the success of this thesis. I owe sincere thankfulness to Professor Abraham Shragge for making time to read through my paper and his continuous interest in the progress of my paper.

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# **CHAPTER 1**

## **INTRODUCTION**

The Ghanaian textiles industry was once a very flourishing industry and employed about 25000 workers. Products from industry, especially the wax prints, were in high demand both on the local market and the other markets within the West African sub - region. Aside from the industry employing about 27% of the total industrial labor force it also contributed immensely to the Gross Domestic Product (GDP) of the country.

However, in recent times the industry has faced some difficult challenges which have led to the closure of most of these factories, leading to the massive unemployment of those who were employed in this sector. Other factories that are in business have also shut down some of their production lines. Some typical examples are the Ghana Textile Print (GTP) which had an outstanding production capacity (30.7 million yards) shutting their weaving and spinning departments and laying off some of its workers. Also, Ghana Textile Manufacturing Company limited (GTMC) shut down its production line in December 2005.

As a result of this problem, Juapong Textile now known as Volta Star Textiles Limited, changed its administration and opened its production lines briefly; however, they could not handle the competition, hence a greater proportion of its production lines has been shut down. The few factories that are operating import their raw material (bleached cloth, gray baft and semi-finished cloth & dyes) from other countries for production in Ghana.

Due to these challenges, the Ministry of Trade and Industry, being the main government agency responsible for the industry, has put together two policy documents (Ghana Trade Policy and Ghana Industrial Policy). These two policies all aim at promoting the trade and

industrial sector of the Ghanaian economy by creating a reliable and stable policy environment within which the private sector and consumers can operate effectively and with certainty. This project seeks to contribute to the ongoing debate about what specifically led to the widespread unprofitability and closure of most the textile companies in Ghana, laying emphasis on the role of the Ghana Trade Policy and Ghana Industrial Policy, especially the how these policies promote job creation.

This thesis further seeks to bring out the failures in the Ghana Trade and Industrial policy and how they can be rectified to promote the textile industry and also how to promote better coordination between the various Ministries, Departments and Agencies (MDAs). Consequently the thesis is grouped into six main chapters. Chapter One introduces the main thesis; it includes the background of the study, statement of the problem, objectives, importance of the study, and the hypothesis.

Chapter Two will review some literature by policymakers, and scholarly works by some academic writers. These reviews will indicate how coordination and government intervention through the right policies can create the enabling environment for private - public partnership which will eventually lead to the promotion of the textile industry.

The third chapter will deal with methodology. This chapter will bring out a detailed study of the Ghana Trade and Industrial Policies and the major problems in each policy component that is linked to the promotion of the Ghana Textiles Industry The methods employed for the study are clearly discussed as well as benchmarking of countries that have vibrant textiles industry are well explained in this chapter, together with the research tools, population and others. In the fourth chapter the results from the research will be analyzed and interpreted.

The fifth chapter discusses policy recommendation of the thesis based on the analyses of the data collected. The sixth chapter which is the final chapter of the thesis will entail the conclusion based on the study conducted.

## **1.1 BACKGROUND**

Industrialization started in Ghana after the country's independence in 1957 which broke the dawn of industrial manufacturing by the first president of Ghana, Dr. Kwame Nkrumah and his government which launched the industrial drive as a means of achieving economic development. The textile industry in Ghana has been one of the most important industries in the country and continues to be one of the promising industries in the economy. The formally booming industry which once employed about "25000 workers which accounted for 27% of total manufacturing employment and operated at about 60% of plant capacity"<sup>1</sup> has for some time now encountered so many challenges that have led to the collapse of many of the industries within the Ghanaian economy.

There were about 16 big- and medium- sized textiles companies established in Ghana by the mid 1970s. The garment sector also had 138 large- and medium-scaled industries at the same period. However, inconsistencies in government policies contributed to the decline of the sub-sector's activity level. It is on record that

... in 2002, the four major companies that survived the turbulence in the sub-sector are the Ghana Textile Manufacturing Company (GTMC), Akosombo Textile Limited (ATL), Ghana Textile Product (GTP), and Printex with GTP maintaining the lead in the industry.

A survey of 40 textile and garment industries ... revealed that only 5% were involved in

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<sup>1</sup> Ministry of Trade and Industry, Annual Statistics (Ghana, 2004).

joint ventures with foreign investors. The rest (95 percent) were locally owned and none was solely foreign owned.<sup>2</sup>

The garment sector is predominantly small scale enterprises and depended mainly on the textile industry. The textile industry in Ghana can be categorized, with the main raw material used in production being the cotton fabric; there are some productions from synthetic fabrics (man-made fibers). The main types of fabrics produced included the African print and household fabrics which were the core of the sector. The items were made from the synthetics and their blends, which were derived from polyester, acryl and other synthetics. In addition there are also some small- scaled firms which are involved in hand prints of their own designs onto a bleached cotton fabric mostly knows as the mercerized cotton and the process is mainly known as batik or tie-and -dye making. Again, there are also the Ghanaian traditional cloths which are hand printed called the Adinkra cloth and also the woven fabrics – kente and the smock making done on a relatively small scale.

<b>AFRICAN PRINT</b>	<b>HOUSEHOLD</b>	<b>SYNTHETICS</b>	<b>HAND-PRINT</b>	<b>TRADITIONAL HAND- PRINT</b>	<b>WOVEN FABRICS</b>
Wax	Curtain materials	Uniforms	Batik	Adinkra cloth	Kente
<b>Java</b>	<b>Kitchen napkins</b>	<b>Knitted blouses</b>	<b>Tie &amp; dye</b>		<b>Smock</b>
Fancy	Diapers	Socks			
Bed Sheet	Towels				
School uniforms					

**Table 1: Categories of Textile produced in Ghana and their examples.**

In 1977, the total textile industry output in Ghana indicated a high growth at 129 million

<sup>2</sup> Peter Quartey, The Textiles and Clothing Industry in Ghana, in: Herbert Jauch / Rudolf Traub-Merz (Eds.) The Future of the Textile and Clothing Industry in Sub-Saharan Africa ( Bonn: Friedrich-Ebert-Stiftung, 2006), 137.

yards with a capacity operation rate of about 60 percent.

GTP sustained the lead position in the industry with an annual production of 30.7 million yards (includes the outputs of Juapong and Tema plants). This was followed by GTMC, ATL, and Printex with production levels of 15 million, 13 million and 6 million yards, respectively. Unfortunately, total industry output declined from its 1970 level to 46 million yards in 1995 but recovered to 65 million yards in 2000.<sup>3</sup>

The companies produced very high quality materials, designs and very good brands textiles fabric, which sold well and gained market on both the Ghanaian domestic market as well as other markets in the West African sub- region. Even though Ghanaians perceived the industry as a great source of employment it also contributed significantly to the country's source of foreign exchange and the "Gross Domestic Product (GDP) from 10 percent in 1960 to 14 percent in 1970."<sup>4</sup>

Nevertheless, by 1970 to 1977, there was shortage of foreign exchange and overvalued of the cedi for importing raw materials and spare parts and then it declined from 1977 to 1982 due to poor management which led to low capacity operation and stagnation in the sub-sector. Consequently, majority of industries were out of business and this condition got worsen through trade liberation. This made it important to be included as part of the Structural Adjustment Programmes in 1980s and 1990s. This caused a massive decline in employment from 7,000 in 1995 to 5,000 in the year 2000. As at March 2005, only four major textiles industries in Ghana are functioning with some of their production lines shut down and employs a total of 2,961 persons. In the same year, GTP produced 9 million yards, GTMC did 2.24 million yards, Printex also produced 9.48 million yards with ATL also producing 8

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<sup>3</sup> Ibid, 138.

<sup>4</sup> Ibid, 140-142.

million yards. Making a total annual output of 39.04 million yards which can be interoperated as an average of 49.4% of the outset established capacity of the four firms. “As a consequence, output had declined from 65 million yards, in 2000 to 39 million yards in 2005. A survey of 40 textile and garments industries in 2005 also confirmed that the situation is getting worse.”<sup>5</sup>

	1975	1995	2000
<b>Output (million yards)</b>	129	46	65
<b>Employment</b>	25000	7000	5000
<b>Ministry of Trade and Industry, November 2002</b>			

**Table 2: Employment within the Textiles Industry<sup>6</sup>**

Reforms made in the textiles sector has also led to the increase in importation of textiles and other used clothing (apparel), which aided the collapse and shutting down many of the textiles industries in Ghana. In spite of all these challenges, the sector has shown immense improvement and the potential to increase its production not only for the local market but also for the international market by taking advantage provided under African Growth Opportunity Act (AGOA). Nonetheless, the menace of cheap imports, including large quantities of smuggled items from China and Pakistan, coordination failure within government policy makers and implementing Ministries, Agencies and Departments (MDAs) to create the enabling environment for the development of the sector remains the main

<sup>5</sup> About 44 percent of industry respondents have cut down on employment. From the total number of firms that had shed staff, 59 percent have laid off up to 5 percent of their workforce, 24 percent laid off up to 6-10 percent and 11 percent have cut down employment by over 70 percent between 2000 and 2005. (Ministry of Trade & Industry, Ghana, Statistics 2004).

<sup>6</sup> Peter Quartey, The Textiles and Clothing Industry in Ghana, in: Herbert Jauch / Rudolf Traub-Merz (Eds.) The Future of the Textile and Clothing Industry in Sub-Saharan Africa ( Bonn: Friedrich-Ebert-Stiftung, 2006), 136.



challenge for the continued existence for the a small number of existing industries. As such this thesis seeks to research and bring out recommendations on how government can intervene and contribute to the promotion of better and vibrant Textile sector through the use of the Trade and Industrial policy of Ghana.

## **1.2 STATEMENT OF THE PROBLEM**

According to the Ghana Industrial and Trade policy document (2010) states that the policies were formulated to perform the role of “the engine of growth in a dynamic and competitive economy. However, the Industrial Policy specifically seeks to address an array of challenges faced by the manufacturing sector that affect production capacity, productivity and product quality.”<sup>7</sup> The task of this academic research is to examine and develop a framework on how best government can create proper coordination between the Ministries, Departments and Agencies (MDAs) through the implementation of the Ghana Trade Policy and Industrial Policy to promote the growth of the textiles industry in Ghana and also achieve sustainable development.

This study will also focus on the policies that have been put in place for the promotion of the textile industries and identify the challenges in the policies and find practical policy recommendation to address the challenges as well as develop a better framework to address the issue of coordination failure within the MDAs.

## **1.3 IMPORTANCE OF STUDY**

The main essence of my thesis is to shed new light on how Ghana can overcome challenges in Textile industry development, as well as how the country can maximize the productivity of

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<sup>7</sup>Ghana Industrial Policy (2010) : Policy document which spells out clear agenda of government for the development of the industrial sector prepared by the Ministry of Trade and Industry.

the institutions mandated to implement these policies by promoting better coordination between the various MDAs to aid in the development of the industrial sector. Also this research will reveal the merits and demerits of the Trade Liberalization System in Ghana and how it is affecting local textiles industry and also its benefits to the country. Again, this research would seek to find out how the trade and industrial policies formulated by the Government of Ghana will aid in promotion of the textiles industry to achieve sustainable development of the industry. The measures will entail putting in place strategic plans to have an efficient monitoring system for the implementation of the policies and also develop a proper coordination among the various MDAs.

#### **1.4 PURPOSE OF THE PROPOSED STUDY / OBJECTIVES**

The purpose of this study is to:

- Establish the effectiveness of the Trade policy and Industrial policy towards the promotion of the textile industries within the Ghanaian economy.
- Establish the effectiveness of the framework that has been put in place for the implementation and monitoring of the Ghana Trade and Industrial policies and how coordination within the various MDAs can assist in the promotion of the textiles sector.
- Draw a distinctive linkage between the role of government and the private sector in the promotion of the textiles sector.

#### **1.5 RESEARCH QUESTIONS**

To be able to present a holistic account of the promotion of the textiles industry through the Ghana Trade Policy and Ghana Industrial Policy. The research will focus on the following

key questions:

1. Are the policy objectives of the Ghana's Trade and Industrial Policy geared towards providing opportunities to attract investment and promotion to the textile sector of the economy?
2. Can the development of the Ghana Trade and Industrial Policy cause improvement in the textile sector?
3. In what way can proper coordination between the various MDAs improve the Ghanaian textile industry?
4. Did the Trade and Industrial Policies of Ghana aim at resolving the problems of trade liberalization in the textiles sector?
5. Does the structure of the framework and policy process of the Ghana Trade and Industrial policies affect the achievement of the goals of the policies?

## **1.6 HYPOTHESIS**

According to David Ricardo (a classical economist), protectionism in trade is against the theory of comparative advantage, which suggests that opening up world markets, and reducing trade barriers (trade liberalization) would lead to gains from trade for all concerned. Thus, trade liberalization on its own is not a bad system if handled well.

Trade liberalization means the removal of or reduction in the trade practices that thwart free flow of goods and services from one nation to another. It includes dismantling of tariff (such as duties, surcharges, and export subsidies) as well as nontariff barriers (such as licensing regulations, quotas, and arbitrary standards).<sup>8</sup>

From this point of view this research seeks to investigate whether

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<sup>8</sup> WebFinance, Inc. All Rights Reserved, (© 2011), BusinessDictionary.com  
<http://www.businessdictionary.com/definition/trade-liberalization.html>.

**Hypothesis 1: Trade Liberalization has been a good policy for the promotion of the Ghanaian textiles industry.**

The Industrial Policy and Trade Policy “provide clear and transparent guidelines for the implementation of Government’s industrial development agenda, to ensure the competitiveness and growth of Ghana’s manufacturing sector.”<sup>9</sup> The Industrial Policy is fully aligned with Ghana’s Trade Policy, reinforcing each other in ensuring that a consistent and stable environment is in place for accelerated industrial development.<sup>10</sup> If this is the case the second hypothesis in this research seeks to investigate

**Hypothesis 2: The Ghana Trade and Industrial policies have aided the promotion of the Ghana textiles sector.**

Also, it is a statement of fact that the Textiles Industry has an awe-inspiring presence in the economic life in India and Pakistan. Aside their employment capacity and contribution to GDP of these countries they also provide the basic necessities of the people in these countries. Some scholars are of the view that these two countries have a very good framework that is geared towards implementing policies especially for their textiles industries. Hence, this hypothesis will measure the impact of the framework of India and Pakistan and conduct a comparative study with the Ghanaian textile industry. The last hypothesis will measure

**Hypothesis 3: Having a good framework and proper coordination between MDAs in policy implementation can contribute to the promotion of the textiles sector.**

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<sup>9</sup> G. D. Zaney, **Official website of the Government of Ghana**, [Ghana’s Industrial sector to receive a boost, http://www.ghana.gov.gh/index.php?option=com\\_content&view=article&id=6108:ghana-industrial-policy&catid=57:policy-documents&Itemid=206.](http://www.ghana.gov.gh/index.php?option=com_content&view=article&id=6108:ghana-industrial-policy&catid=57:policy-documents&Itemid=206)

<sup>10</sup> Ghana Industrial Policy (2010).

## **CHAPTER 2**

### **REVIEW OF RELATED LITERATURE**

#### **2.0 INTRODUCTION**

Ghana's textile industry which used to be one of the vibrant textile industries among the West African countries is slowly joining the league of other nations in the sub-region of Africa. The country which once could boast of 40 textile factories with a labor force of over 25,000 people in the last two decades now employs fewer than 4,000 Ghanaians in only four textile factories of which most departments have been shut down. According to Ghana's Revenue Agencies Governing Board (2010),<sup>11</sup> the country is losing about 300 billion Ghanaian old Cedis in potential revenue annually through smuggling of textile materials. This has raised eyebrows on the role of government, while some attribute the deteriorating nature of the Ghanaian textiles industry to the trade liberalization policy; others argue that government has not given the sufficient attention to the needs of the industry.

Critics (Textile Garments and Leather Employees Union- TGLEU, Ghana Trade Union Congress, Cotton farmers and Cloth sellers) accuse government of not putting in place the strong security measures (rules and regulations) and well coordinated personnel to handle the issues of illegal influx of textiles from other countries. Also, some argue that there is a big gap in terms of coordination between the various Ministries, Departments and the Agencies (MDAs) that are assigned to deal with the sector as such policies (Ghana Trade and Industrial policies) and regulations are not properly implemented to achieve the desired results. Ghana's Textiles Garment and Leather Employees Union (TEGLEU), has called on government to

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<sup>11</sup> Report by the Institute of Statistical, Social and Economic Research, Legon (2010).

carry out intermittent checks on the sales of smuggled goods, confiscate the goods, arrest the culprits and burn the illicit goods. My question then is, will this deter these smugglers from carrying out their deeds? Is this a long term solution to the problems of the industry, and finally will these bring about the growth of the industry as we seek?

This chapter will investigate some judgments that other writers in the field have said about this subject matter and analyze their position in relation to Ghana.

## **2.1 THEORETICAL LITERATURE**

### **Coordination Failure**

Most authors associate or attribute the concept of coordination failure to John Maynard Keynes through his 20<sup>th</sup> – Century English Economics Book “The General Theory of Employment, Interest and Money”. The followers are known as Keynesian Economist.

At the Annual World Bank Conference on Development Economics (2000) Karla Hoff postulated that coordination problems and solutions help establish whether development occurs. She said that in

...modern terms there could be a coordination failure, where individuals failure to coordinate complementary changes in their actions leads to a state of affairs that is wise for everyone than some alternative state of affairs that is also an equilibrium. The obstacle to achieving the better state of affairs is not a matter of technological opportunities (or even knowledge of those opportunities), or of resources or preference, but only of coordination.<sup>12</sup>

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<sup>12</sup> Annual World Bank Conference on Development Economics 2000 –Karla Hoff - “Beyond Rosenstein – Rodan: the modern theory of coordination problem in development” (Washington, DC - USA, © 2001), 145 – 146.

## **Trade Liberalization**

Trade liberalization is said to be a means where by trade barriers or limitations are reduced to make trade free of tariffs or much more accessible. Trade liberalization can also be known as free trade or laissez-faire. This theory was first articulated and acknowledged by Adam Smith in his book The Wealth of Nations in 1776. However the theory's shortfalls were addressed by David Ricardo's theory of comparative advantage and also by analyzing the impact of tariffs and import quotas.

Adam Smith stated that

...it is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. ... If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.<sup>13</sup>

Ricardo's theory of comparative advantage also "suggests that opening up world markets and reducing trade barriers (trade liberalization) would lead to gains from trade for all concerned."<sup>14</sup> However it must also be said that opening a market is one thing and getting countries to reduce tariffs or barriers on trade is much easier said than done.

## **Framework for Policy Process**

The most prominent framework in understanding the policy process as stated in Paul A. Sabatier's book on theories of the policy process (2007), particularly among American

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<sup>13</sup> Adams Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (Digireads Publishing, 2009), 264–265.

<sup>14</sup> Aashwin, biz/ed [www.bized.co.uk](http://www.bized.co.uk), Trade Liberaliation : A means of promoting Growth in Developing countries? Activity.  
<http://www.bized.co.uk/educators/1619/economics/international/activity/liberalisation1.htm>.

scholars, was the “stages heuristic” or the textbook approach as termed by Nakamura (1987) in his book.

Nakamura mentioned that the framework separates the policy process into sequences of stages that are usually “agenda setting, policy formulation and legitimation, implementation and evaluation.”<sup>15</sup> There are more promising theoretical frameworks over the past twenty years on policy process which have been developed or extensively modified by different authors.

### **2.3 RELATED LITERATURE**

Many onlookers of the industry attribute the dwindling of the textile industry in Ghana to trade liberalization policy. They are of the opinion that trade liberalization led to the influx of textile products from China and other countries. However, some economists are of the view that “protection of trade is against the principle of comparative advantage and that the reduction of trade barriers (trade liberalization) results in gains from trade for the entire economy.”<sup>16</sup> They stated that trade liberalization is not a bad thing but it’s the way it is handled that makes it appear to be a bad idea. There are some economists such as David Ricardo who are of the opinion that there should be a balance equation between trade liberalization and trade protectionism.

According to Shafaeddin (2006),<sup>17</sup> the philosophy behind trade liberalization is “trade

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<sup>15</sup> Paul A. Sabatier, *Theories of the Policy Process* (Colorado, USA, Westview press, © 2007), 6-9.

<sup>16</sup> Francis Kwaku Egu, zimbio, [The Textile Industry in Ghana and Trade Liberalization](http://www.zimbio.com/Weaving/articles/25/Textile+Industry+Ghana+Trade+Liberalization), <http://www.zimbio.com/Weaving/articles/25/Textile+Industry+Ghana+Trade+Liberalization>.

<sup>17</sup> Mehdi Shafaeddin - TWN Trade & Development Series 31 – “[Does Trade Openness Favour or Hinder Industrialization and Development](#),” (Jutaprint, Penang – Malaysia, 2006), 1-12.



openness” or free trade, which he believes would be conducive for industrialization and development. He noted that it is only Great Britain that has practiced free trade in recent centuries from 1860 to 1913. He however mentioned that in developing countries the only experiences of free trade was practiced during periods of colonialism. In furtherance, he postulated that the book takes an in-depth look at the tendency towards trade liberalization and for the purpose of this study termed it “Trade Liberalization Hypothesis (TLH).”<sup>18</sup> He again argues that the theory is not favorable for the industrialization and development of developing countries since the theory is against government intervention in production and trade which is based mainly on the principle that market are competitive and are performing well. He stated that TLH is based on the general ideological concept of the theory of static comparative cost advantage.

An overview written by Riccardo et al. (1995) disclosed that the reason why the textiles industry is a pertinent sector in both advanced and developing economies is because this sector is major in both economies; nonetheless, the principle of comparative advantage has caused the gradual movement in the market towards the Least Developed Countries (LDCs) because this sector makes intensive use of unskilled labor which is gradually becoming scarce in the advanced countries but in developing countries is in abundance. The fact also remains that this sector has become a strong base for foreign exchange for most LDCs in the sector “representing some 14 percent of their exports overall and 24 percent of their manufacturing.”<sup>19</sup> They also argued that competition of any textiles industry depends not

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<sup>18</sup> Trade Liberalization Hypothesis – is a theoretical abstraction based on the doctrine of comparative cost advantage in its H-O (Heckscher-Ohlin) version, which is universal free trade will lead to an efficient reallocation of world resources. Ibid, 33.

<sup>19</sup> Riccardo Faini, Giorgio Barba Navaretti and Aubrey Silberston, Beyond the Multifibre arrangement: third world competition and restricting Europe’s textiles industry, development centre document – OECD (OECD publications, France, 1995), 13-37.

only on their source of raw materials but also on their comparative advantage in Labor Intensive Industry which is the human capital; therefore protecting of one's industry will only lead to an upgrade in export goods and a downgrade in domestic goods.

Research conducted by staff in the Office of Industries, US International Trade Commission on the textiles industry in India revealed that the current state of the textiles industry in the Indian economy is a result of the Government of India's (GOI) steps to liberalize their global trade regime as well as implement several programs that will assist the industries to adjust to the new trade environment. According to Sundar, (2001) on "November 2, 2000 the GOI unveiled its National Textile Policy (NTP) 2000, which was aimed at enhancing the competitiveness of the textile and apparel industries, increase apparel exports to 10 percent by 2010 and also increase the share of the world textile market for India."<sup>20</sup> From the study conducted it revealed that the Government of India promoted the textile industry through Trade Policies, Nontrade Policies, Investment Policies and Foreign Direct Investment (FDI) and National Textiles Policy (2000). The Trade Policies were divided into two categories namely the Tariff Barriers and the Nontariff Barriers. The Tariff Barriers was geared towards reduction of and removal of all import restrictions on textiles and apparel through their Free Trade Agreement (FTA). They also implemented Nontariff Barriers such as Import Licensing, reducing the highly bureaucratic and time-consuming procedure at the customs, Export-Import Policy which assisted firms in the manufacturing and trade of textiles goods, Export Promotion Capital Goods Scheme (EPCG), Pre- and Post-Shipment financing, Export Processing and Special Economic Zones which was established through the assistance from

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<sup>20</sup>Sundar A. Shetty, "India's Textile and Apparel Industry: Growth Potential and Trade and Investment Opportunities," US International Trade Commission (Washington, DC March 2001) chapter 3, 1-8.

the EXIM Policy and also regulated the marking, labeling, and packaging requirements. Through the National Textile Policy (2000) the GOI urged Indian investors to “seek joint ventures with international textile firms and set up large integrated textile mills and processing units,”<sup>21</sup> which will also improve the quality of goods produced to enhance their competitiveness.

In a book by Stern (1995), it was argued that Industrialization and the state in the Korean heavy and chemical industry (HCI) drive promotion can be attributed to the Korean government’s announcement of the comprehensive stabilization program that employed both tax and trade policy as well as credit and interest rate policies as a means of promotion for the HCI. The Trade policy was set to assist the six favored industries then, but due to the large drop in the liberalization ratio there was a decline. This was, however, rectified by the entrance of the Industrial Policy which is said to be “the most powerful tool used by the government, this was made possible through the allocation of National Investment Funds.”<sup>22</sup> Stern also mentioned that the rapid growth of the HCI can be associated with the effective allocation of resources which is capital efficiency which led to the export competitiveness of products from Korea and led to the increase of their share on the world market. This book argues that the promotion of industries in Korea through economic policies, especially in the 1960s, worked much better because government involved the private sector and the policies were result oriented as well as promoted the export (Export Promotion Policy) with incentive structure.

Nonetheless, the author is of the opinion that government overreliance on policies will not

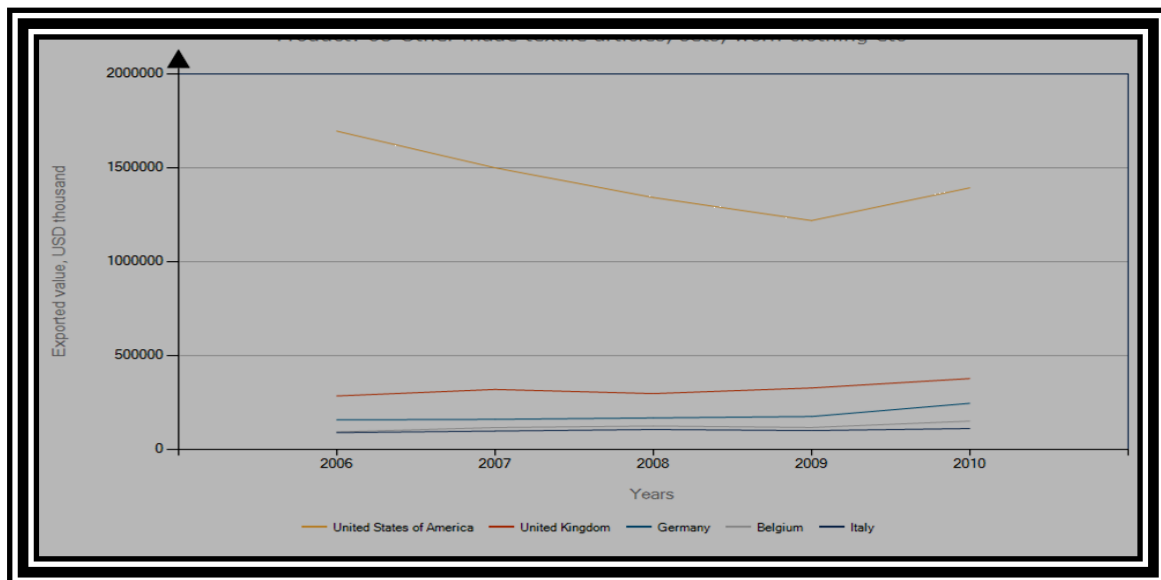
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<sup>21</sup> Ibid, chapter 3, 9-10.

<sup>22</sup> Joseph J Stern, *Industrialization and the state: the Korean heavy and chemical industry drive*, (Cambridge, Mass: Harvard Institute for International Development and Korea Development Institute: Distributed by Harvard University Press, 1995), 63 - 73.

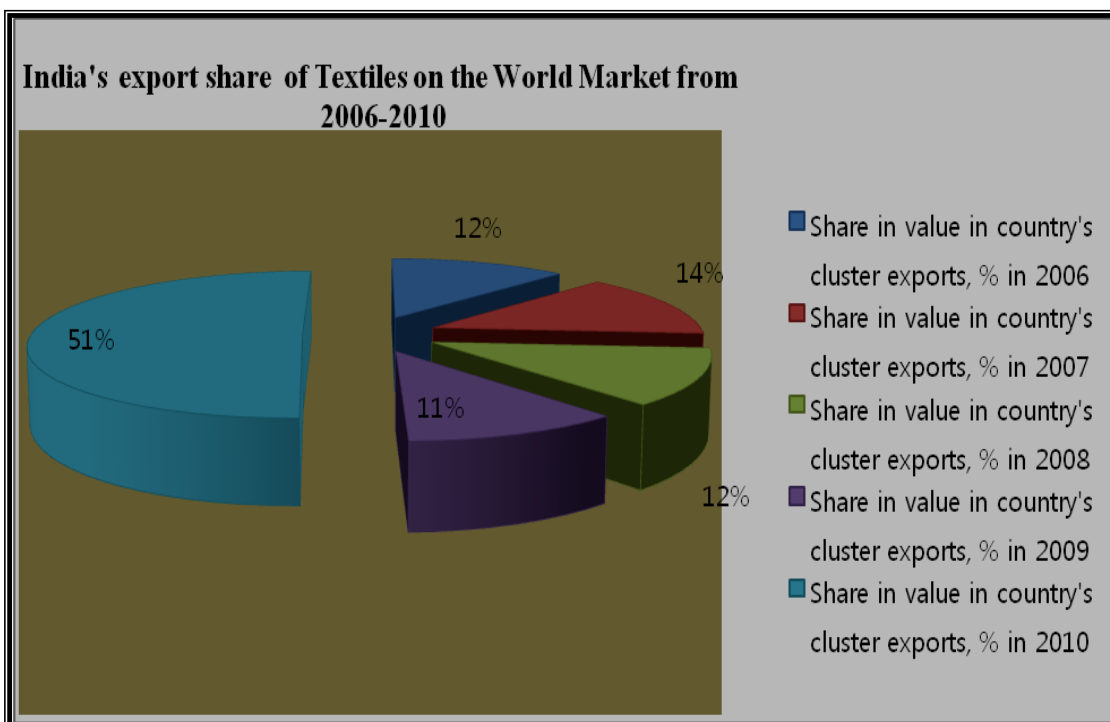
help in the promotion of industries; neither will a government which is actively interventionist because when one takes a look at Korea and Taiwan it can be said that Taiwan's exports have increased although they are geared mainly towards the Labor Intensive Industry, unlike Korea which is geared towards Heavy Industries. It is therefore a statement of fact that for a particular industry in a country to gain position in the world market that country must fully involve the private sector and promote the industry of the country's comparative advantage.

A data collected by the International Trade Centre indicates that the textile industry in both India and Pakistan has gained a large percentage of the world market. However this growth has been seen as a reflection of the impact of the National Textile policy which has been carried out by the Ministry of Textiles in India and Pakistan. **Table 3** compares the amount of Pakistan's export share to some of their major importing countries mentioned above between 2006 to 2010 in USD(\$) thousand. **Table 4** also indicates the world share of India on the world market in percentages (%) during the same period (2006 to 2010).



Source: ITC calculations based on COMTRADE statistics

**Table 3: List of Importing Markets for the Exported Pakistan Product**

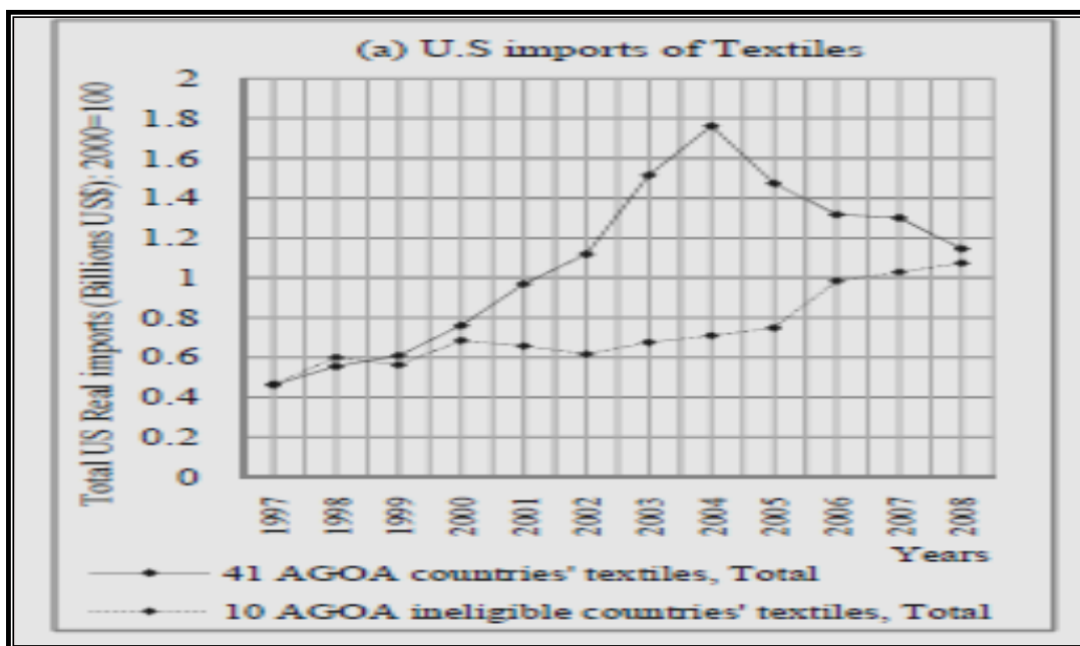


Sources: ITC calculations based on COMTRADE statistics

**Table 4: India's Share of Textiles on the World Market**

Ghana was one of the few (sixteen) African countries which were beneficiaries of textiles eligibility under the African Growth Opportunity Act (AGOA) which was established in May 18, 2000, the main objectives of which were to “offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.”<sup>23</sup> Ghana took to the promotion of its trade in the United States of America especially in the textile and garments sector and traditional and non-traditional exports including handicraft. Data available indicates that after the passage of the act in 2000 US imports of textiles increased steadily.

<sup>23</sup> U.S. Department of Commerce International Trade Administration , Text of the African Growth and Opportunity Act, [http://www.agoa.gov/agoa\\_legislation/agoa\\_legislation.html](http://www.agoa.gov/agoa_legislation/agoa_legislation.html).

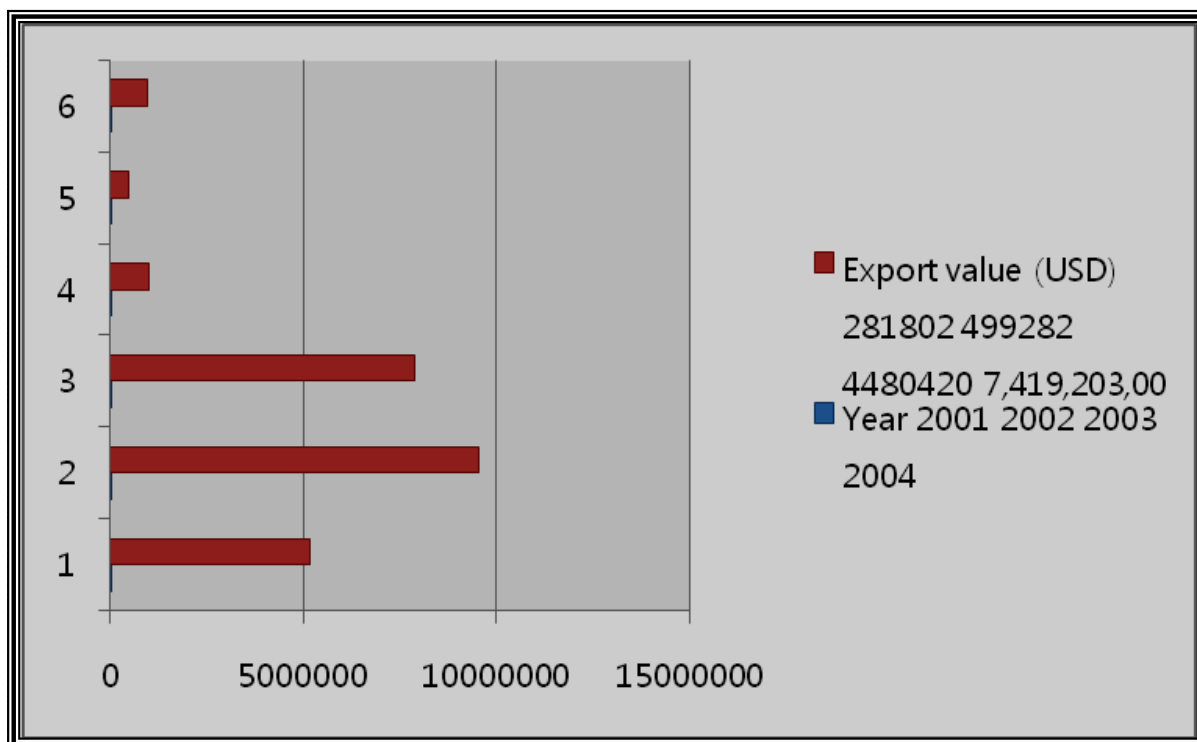


Source: *The Effect of African Growth and Opportunity Act (AGOA) on Exports of Eligible Countries: Panel Data Evidence*. By Charles Nyariki Ombuki

**Table 6: U.S imports of Textiles**

The opportunity taken witnesses a massive increase within the period of 2001 to 2008. Ghana had increased its share on this particular market; however; the dwindling of the textiles industry has also affected this performance in recent years.

Year	Export Value ( USD)
2001	281,802.00
2002	499,282.00
2003	4,480,420.00
2004	7,419,203.00
2005	5,173,618.00
2006	9,534,710.00
2007	7,865,836.00
2008	1,029,909.00
2009	491,308.00
2010	986,530.00



Source: U.S. Department of Commerce, Office of Textiles and Apparel

**Table 6: Export of General Apparel & Textiles from Ghana to the USA (2001- 2010)**

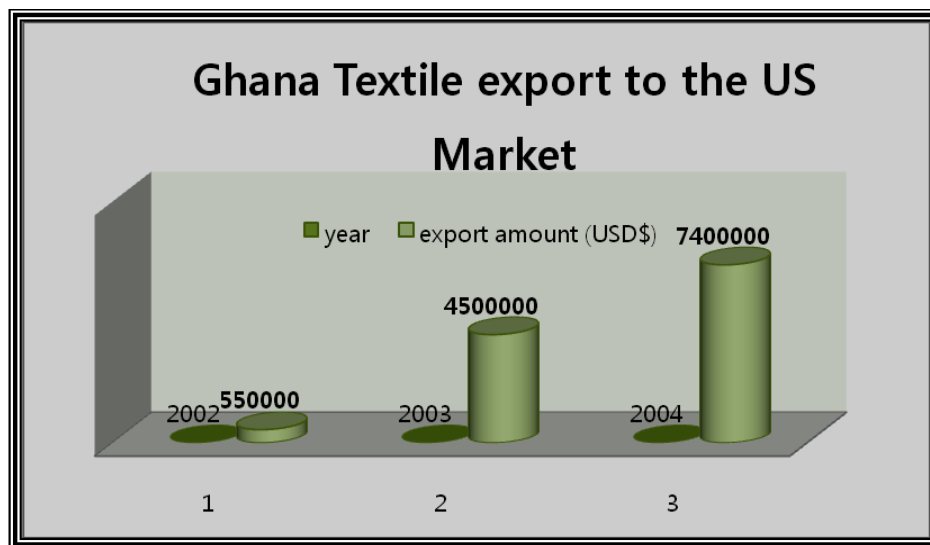
<b>BILATERAL TRADE PROFILE BETWEEN UNITED STATES AND GHANA</b>					
	Value (1000 dollars)			Year-to-date Jan.-Jun.	
	2008	2009	2010	2010	2011
<b>TEXTILES AND APPAREL:</b>					
<b>US Exports to Ghana</b>	5 214	7 128	11 824	5 327	6 063
<b>US Imports from Ghana</b>	1 016	482	991	729	495
<b>Total AGOA including GSP provisions of AGOA</b>	790	308	803	610	387
<b>US imports under Generalized System of Preferences (GSP) from Ghana</b>	25	31	35	13	14
<b>US imports of duty-free items added under AGOA</b>	765	277	767	596	373

Source: [http://www.agoa.info/?view=country\\_info&country=gh&story=trade](http://www.agoa.info/?view=country_info&country=gh&story=trade)

**Table 7: Bilateral Trade Profile between United States and Ghana.<sup>24</sup>**

<sup>24</sup> African Growth and Opportunity Act- AGOA, Official Website, [Bi-lateral trade profile: US - Ghana](#)

AGOA had three core objectives, the “deliberation on the Trade Policies for Sub-Saharan Africa, the *Trade Benefits*, and the *Economic Development Related Issues*. Initially, 34 sub-Saharan African countries were deemed eligible under AGOA upon meeting the country’s eligibility criteria.”<sup>25</sup> The map below indicates the initial 34 countries that were eligible to AGOA, although several other countries have now qualified. Between 2002 to 2004 Ghana had gained quite a remarkable share in the US textiles market.



Source: <http://inwent-ij-lab.org/Weblog/2010/06/29/inside-ghana%E2%80%99s-collapsing-textile-industry/>

**Table 8: Ghana Textiles Export to the US market from 2002 – 2004**

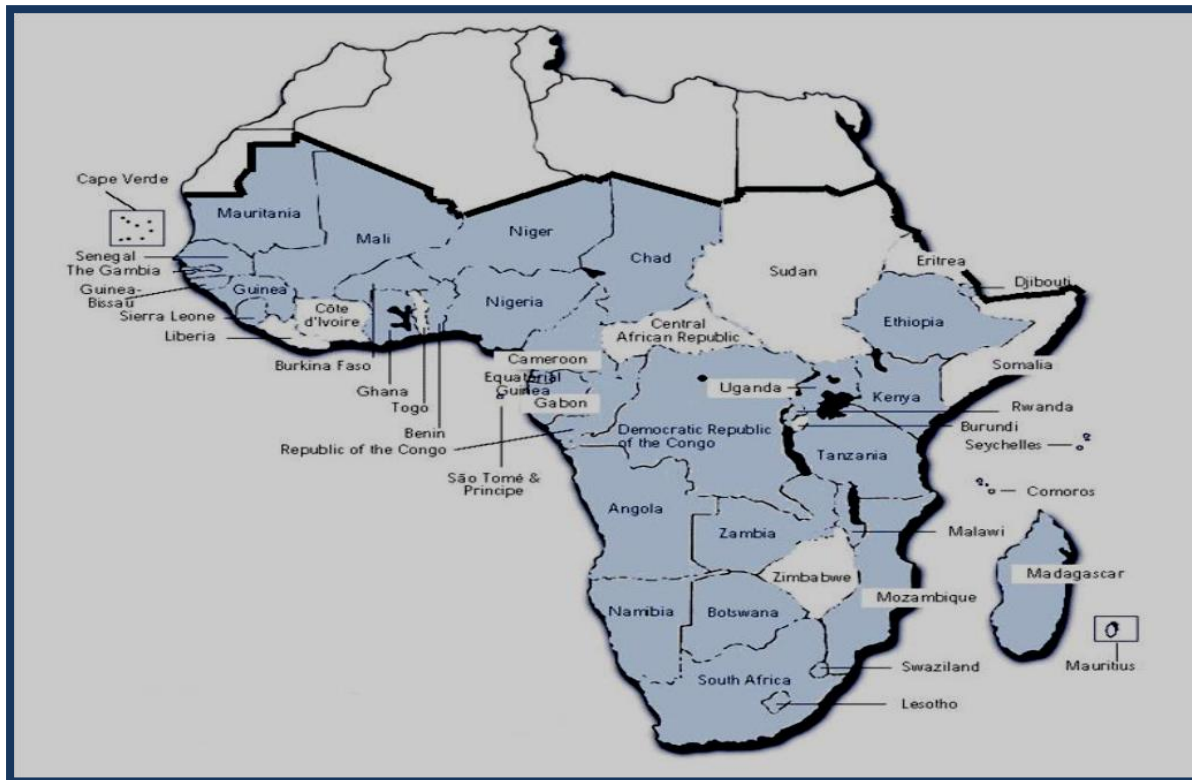
The author (2009) of the paper recommended that AGOA can operate better if Ghana can have an effective Export Processing Zones (EPZ) and Industrial Zones which is aimed at promoting trade especially in the textiles sector. He also postulated that the problem of the industry in Ghana does not only call on government interventions but “also there should be a link between Academia, Industry and Government to rectify the decline in the sector. He

[http://www.agoa.info/?view=country\\_info&country=gh&story=trade](http://www.agoa.info/?view=country_info&country=gh&story=trade).

<sup>25</sup> Luke Amateye Tettehfiio, The Role of the Indigenous Ghanaian Textile Industry in relation to the President’s Special Initiative (PSI) on textiles and garments (Kwame Nkrumah University of Science and Technology, Kumasi, Ghana , August, 2009), 35-37



again mentioned that the industry must take advantage of this opportunity to upgrade the machinery used in the industry since most of them are obsolete.”<sup>26</sup>



*Source: Tettehfi, Luke Amateye- Ghana*

**Figure 1: Initial (34) Sub-Saharan Africa Countries eligible to AGOA are highlighted in blue.**

The World Bank Group Multilateral Investment Guarantee Agency (MIGA, 2007) in their report indicated that

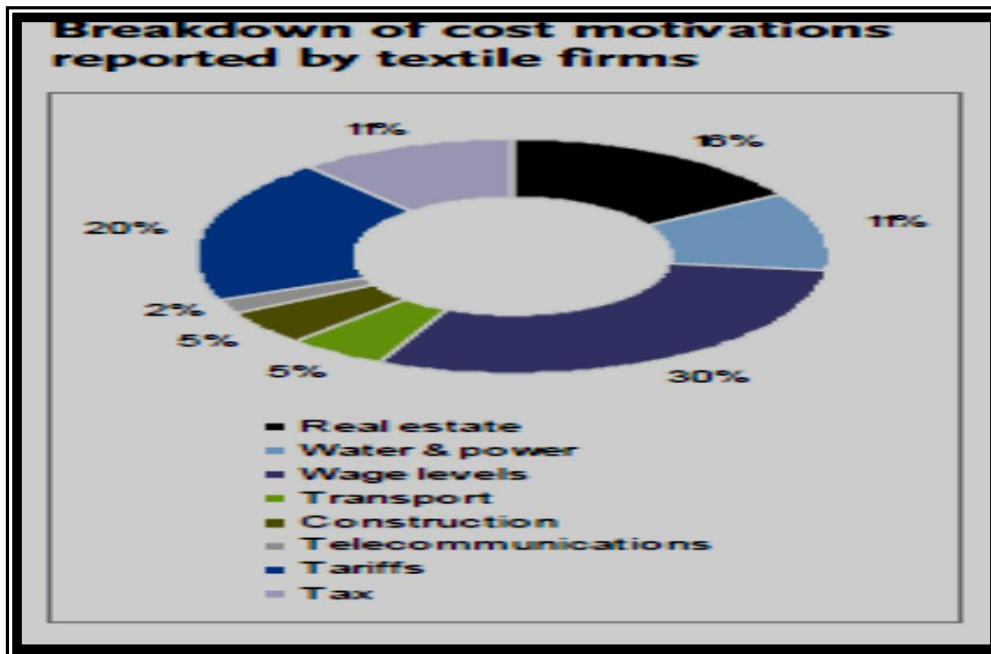
... elimination at the end of 2004 of “quantitative import restrictions”<sup>27</sup> under the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC) has greatly affected the textile industry in Ghana. A recent study predicts the following trends as a result of the elimination of quotas on textiles: an increase in the share of world exports for textiles emanating from emerging economies; a

<sup>26</sup> Ibid, 251-252.

<sup>27</sup> Quantitative Import Restrictions – is the gouta on all textiles from developing countries to industrialized countries which was eliminated as a result of the fundamental change which brought about the transitional programme of the WTO's Agreement on Textiles and Clothing (ATC). Source: World Trade Organization (WTO) definitions.

considerable gain in the export shares of countries with low labor costs, such as China, India and Pakistan; heightened competition among suppliers in low-cost countries; and increased specialization of products among source countries.”<sup>28</sup>

They also indicated the breakdown and percentage of how the textiles manufacturers in the country divide their allocation. Below is a diagram that indicates these percentages.



*Source: World Bank Group Multilateral Investment Guarantee Agency, Snapshot Africa*  
**Figure 2: Breakdown of Cost Motivations by Ghanaian Textile Industry.**

Consequently, the literature reviewed indicates that trade liberalization is not a bad theory; however, if better legal measures are put in place and the right personnel are tasked and given the right training as well as better incentives, this theory will work better. The literature also mentioned that for a country to be competitive, the country should promote production where they have comparative advantage, have export promotion policies, involve the private sector (Public private partnership) and the promotion of industries. This calls for much commitment and intervention from the government. For these reasons for government through the Ministry of Trade and Industry as well as corporations and involvement of all stakeholders to

<sup>28</sup> World Bank Group Multilateral Investment Guarantee Agency, Snapshot Africa – Ghana Benchmarking FDI Competitiveness (Copyright © 2006 Washington, DC 20433, January 2007), 9-11.

a National Textiles Policy that will attract the massive involvement of the private sector and the government to promote the Ghanaian textile industry.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.0 INTRODUCTION**

In this chapter, the study will take a critical look and assessment of the Ghana Trade and Industrial policies as well as the policies of both India and Pakistan in relation to the promotion of their textile industry. Also, the shortfalls in the Ghana trade and industrial policies will be outlined. This study will make use of qualitative analysis of research basically the benchmarking model of researching. The countries to use in the benchmarking are Pakistan and India textiles industry. Benchmarking can be defined as the “evaluation or checking(something) by comparison with a standard or a standard of excellence, achievement that similar things can be judged.”<sup>29</sup>

As industrialization has taken a dramatic shift towards the Asian economies, the story still remains that most leading firms that were located in the West are down moving to the Asian region. This has made these economies very competitive. One of the industries that has been outstanding in this region is their textiles industry and for the purpose of this study India and Pakistan textile industry will be the focus. This study will identify how these industries were able to achieve sustainable growth throughout the years by taking clues from their policies.

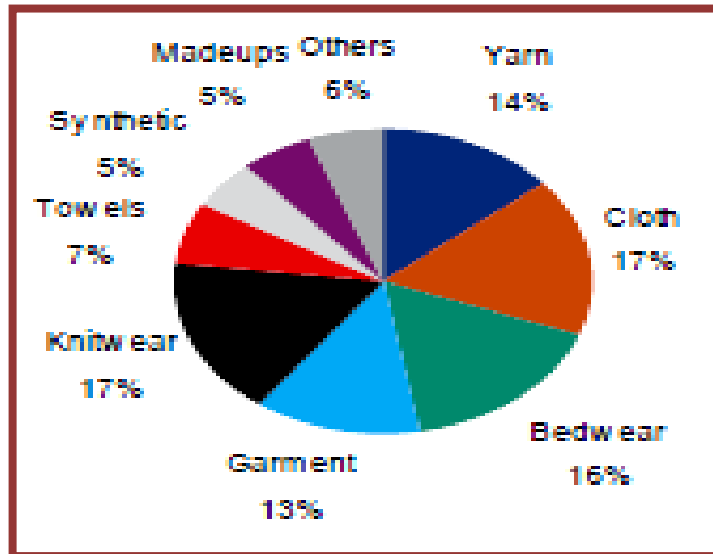
The textile industry in India and Pakistan economies are one of the most outstanding pillars that contribute tremendously to the GDP of these countries. In India it contributes 4% to GDP and 17% to the country’s exports share and employs over 35 million people, whilst in Pakistan the textile industry “contributes 8.5% of the GDP and employs 38% of the

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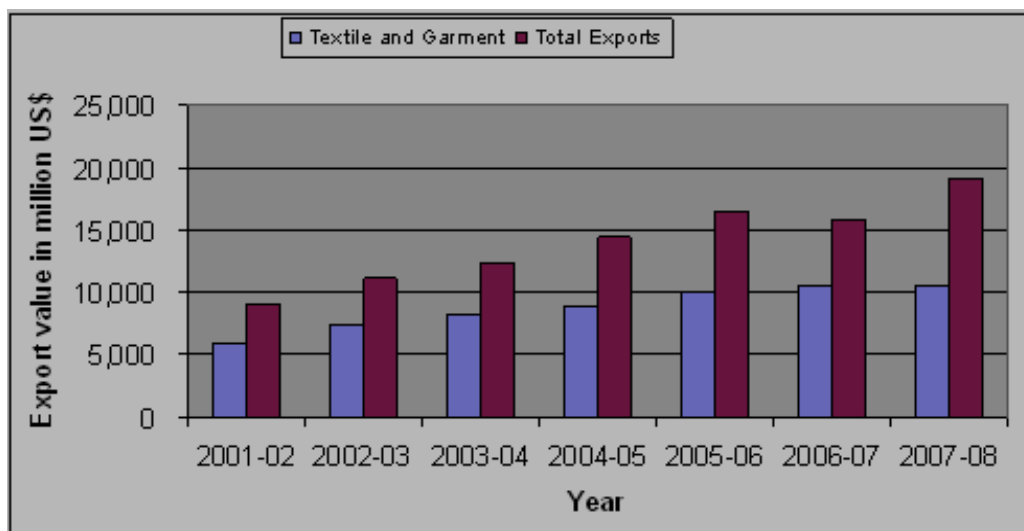
<sup>29</sup> Lexico Publishing, LLC, Dictionary.com, LLC. Copyright © 2011.  
<http://dictionary.reference.com/browse/benchmarking>.

workforce in the manufacturing sector. It is responsible for about 55% of total exports.”<sup>30</sup>

In Asia, Pakistan is the 8<sup>th</sup> largest exporter of textiles products; the textile industry in Pakistan is diverse, ranging from man-made fabrics to

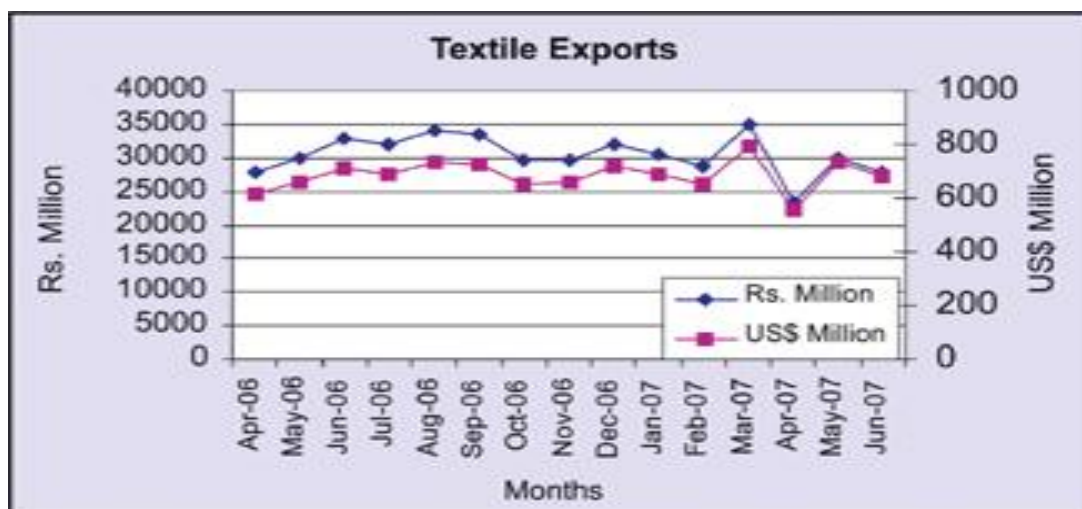


synthetics as well as knits as shown the diagram. Due to the contributions of the Textile Industry in both countries the government has put in place strategic measures so as to assist factories produce quality goods, improve, promote, and achieve development, sustainable growth and also to increase their share on the world market. Below is a table of how both countries are performing in terms of export.



<http://economicpakistan.wordpress.com/>

<sup>30</sup> Muhammad Iqbal Ebrahim, All Pakistan Textile Mills Association, Chairman’s Review. <http://www.aptma.org.pk/reviews.asp>.



FROM APRIL 2006 - JUNE 2007

[http://commerce.nic.in/publications/annualreport\\_chapter3.asp](http://commerce.nic.in/publications/annualreport_chapter3.asp)

Source: Calculated from Principal Commodity Exports, India Trades, CM

**Table 9: Export of Pakistan and India**

### 3.1 THE GHANA TRADE POLICY

Over the past years, the Ministry of Trade and Industry has formulated many policies to stabilize and develop Ghana’s trade and industrial sector. Most of these policies are geared towards the sustainability and promotion of the country; in spite of all these policies some trade and industrial sectors still lack behind. One of such sector is the textiles industry.

The “Ghana Trade policy”<sup>31</sup> was formulated to provide a “clear and transparent guideline for the implementation of the Ghana Government domestic and international trade agenda. The policy also seeks to ensure a consistent and stable policy environment within which the private sector and consumers can operate effectively and with certainty.”<sup>32</sup> The Ghana Trade

<sup>31</sup> Ghana Trade Policy, the policy formulated to promote the trade sector of Ghana’s economy. Trade Sector Support Programme (Ghana, October 2005): Policy document on the framework for the trade sectors prepared by the Ministry of Trade and Industry Ghana.

<sup>32</sup> GHANADISTRICTS.com, © 2006. A Public - Private Partnership Programme between Ministry of Local Government and Rural Development and Maks Publications & Media Services, [www.ghanadistricts.com](http://www.ghanadistricts.com).

Policy was published and implemented in February 2005.<sup>33</sup>

However, this goal has not been fully achieved. The table below gives detailed information on the various thematic areas in the Trade Policy, the policy purpose with the current situation (problem), what is hindering the solution and recommendation of the problem (solution).

POLICY COMPONENT (FACTOR)/& POLICY PURPOSE	CURRENT SITUATION OF THE POLICY. (PROBLEMS)	WHY THE GOVERNMENT HAS NOT BEEN ABLE TO SOLVE THESE PROBLEMS/ OR WHAT HAS BEEN DONE.	SOLUTIONS / RECOMMENDATION(WHAT SHOULD BE DONE)
<p><b>Component 2: Import-Export Regime</b></p> <ul style="list-style-type: none"> <li><b>Project 1; Tariff &amp; Non-Tariff Measures.</b></li> </ul> <p><b>Purpose:</b>  <b>To ensure a level playing field for all economic operators through effective and systematic application of a transparent tariff regime – <i>this was to assist and discourage not only illegal smuggling but also promote the use of Ghana- made textiles.</i></b></p>	<p>According to the world bank Snapshot research on Ghana, it was proven that <b>20%</b> of the production cost goes into tariffs. The component mandates the institution and board set to dealing with task that is Ghana Customs and Preventive Services (CEPS) and the Tariff Advisory Board (TAB) <b>are not</b></p> <ul style="list-style-type: none"> <li>Properly coordinated.</li> <li>Less involvement of stakeholders in decision making concerning the tariffs since it affects their business.</li> </ul>	<p>The major problems in solving policy issues in Ghana are in the process.</p> <ul style="list-style-type: none"> <li>Repeat the policy approval process- <b>Cabinet</b> and <b>Parliament</b> approval.</li> <li>There is also in <b>adequate funds</b> to support the reform.</li> </ul>	<ul style="list-style-type: none"> <li>The bureaucracy and politics associated which approval of policies should be checked and reduced.</li> <li>There should be enough budget allocation available for reforms. Statistics show that there are constraints on the budget</li> </ul>

<sup>33</sup>Trade Sector Support Programme (Ghana, October 2005): Policy document on the framework for the trade sectors prepared by the Ministry of Trade and Industry Ghana.

			allocation for project implementations within the MDAs.
<p><b>Component 2: Import- Export Regime Project 2; Export &amp; Import incentives.</b></p> <p><b>Purpose</b> To operate an efficiently managed incentives regime to facilitate increased domestic production - <i>The project will streamline the duty drawback and VAT exemption schemes to ensure rapid processing times. As well as customs control will be in line with international best practice.</i></p>	<p>Although the textiles industry in Ghana gets some export &amp; import incentives, yet they argue that these <b>incentives are not enough.</b></p>	<p>This has not been done because Government is trying to <b>build the coordination between the MDAs</b> so as to make this project a success.</p> <p>The Ministry of Trade and industry has also mandated the <b>Export Trade Support Service Division</b> to provide an effective support to export sector.</p>	<p>What these Industries need is a better equipped centre where trade information will be disseminated. In Ghana there is <b>(GEPC) Ghana Export and promotion Centre</b>, however, there is no Export Promotion Policy in place. Government needs to formulate a separate Export Promotion Policy. Another problem is that GEPC should find a better means of collecting data properly and also organize fairs that will open the window of export for textiles industry.</p>
<p><b>Component 4: Production Capacity Project 1: Development Of Industrial Policy &amp; Sector Strategies</b></p> <p><b>Purpose:</b> To develop an industrial policy for Ghana with clear guidelines for the implementation of Ghana's Industrialization Programme and ensure a consistent and stable policy environment</p>	<p>The problem with this component is that although the Industrial Policy is formed, it did not address issues of the textile industry directly.</p>	<ul style="list-style-type: none"> <li>• The Industrial Policy was launched June 2011 and most working groups are not operational.</li> <li>• Repeat the consultations with stakeholders and approval processes.</li> </ul>	<ul style="list-style-type: none"> <li>• All working groups should be fully operationalized with technical expertise and involve all interest groups especially the stakeholders in the textiles industry since they are the</li> </ul>



			<p>most agitated industry within the economy.</p> <ul style="list-style-type: none"> <li>The approval process for policy implementation should be shortened especially after a reform.</li> </ul>
<p><b>Component 4:</b> Production Capacity <b>Project 2: Investment Promotion</b></p> <p><b>Purpose</b> To enhance Ghana's ability to attract investment into industry, particularly the strategic sectors.</p>	<p>Due to the declining nature of the Ghanaian textiles industry it has made it difficult to attract investors into the sector.</p>	<p>The Government of Ghana through the Ministry of Trade and Industry has held many consultations with the Textiles industry and as such is trying to put in place measures to control the problem. Eg. The <b>Export Development and Investment Fund (EDIF)</b> was established to assist exporters and investors financially.</p>	<p>The Government should go into partnership with the private sectors so that through the <b>Public- Private Partnership</b> they can make the sector more attractive to investors.</p> <p>The government should also encourage and equip the <b>Ghana Investment Promotion Centre (GIPC)</b> with the needed logistics to promote investment.</p>
<p><b>Component 4:</b> Production Capacity <b>Project 5: Investment finance</b></p> <p><b>Purpose</b> To increase availability of and access to long-term investment finance facilities at competitive prices, especially for targeted productive sectors</p>	<p>Although banks in Ghana currently aid industrialists, to access their loans however, due to the dwindling state of the textile industry banks in Ghana are not comfortable to give loans to these industries.</p>	<p>Government is <b>working directly with the financial institutions so that they can improve access to long and medium- term loans</b></p>	<p>Government should also <b>initiate some incentives</b> that will stimulate the savings, investment and export which can act as a mechanism for the increase access to long-term finance.</p>

<p><b>Component 5:</b> Trade Support Services. <b>Project: Export Trade Support Services.</b></p> <p><b>Purpose:</b> To provide a full range of effective support services to the export sector to achieve growth and expansion in export markets and develop new value-added products for Ghana's export portfolio</p>	<p>This leads to the formation of the <b>Ghana Export Promotion Council (GEPC)</b>. However, they are not fully equipped to carry out this task. The Market access for Ghanaian textiles product is losing its strength on both the local and international grounds.</p>	<p>Government of Ghana has started equipping the GEPC to carry out the task through technical training and logistics. As well as <b>building the capacity of GEPC staff.</b></p>	<ul style="list-style-type: none"> <li>• Develop an export promotion policy that will factor the role of the support service with proper coordination and publicity.</li> <li>• There should be an available budget in place for this project.</li> </ul>
<p><b>Component 7:</b> Domestic Trade &amp; Distribution <b>Project 1: Improved Trade And Distribution Infrastructure And Systems</b></p> <p><b>Purpose:</b> To create an efficiently functioning domestic market for the development and distribution of products for both local consumption and export, and promote consumer welfare</p>	<p>The project was to reduce price fluctuations and improve prices for producers and consumers through better storage, transport and infrastructure. According to the World Bank, textile industries spend <b>11%</b> on infrastructure. However these have not been materialized <b>because regulations are not implemented with better supervision.</b></p>	<p>The Government of Ghana through the Ministry of Trade and Industry and <b>Customs Excise and Preventive Service (CEPS)</b> to collaborate to find better regulations as well as the VAT service.</p>	<ul style="list-style-type: none"> <li>• Better coordination between MDAs.</li> <li>• Staff capacity building with the needed skills.</li> <li>• Promote made in Ghana products especially among institutions and cooperate sectors. Eg. National Friday wear program.</li> </ul>

<p><b>Component 10:</b> Intellectual Property Rights <b>Project: Intellectual Property Rights</b></p> <p><b>Purpose</b> To institute an intellectual property regime that encourages innovation, and facilitates productivity improvement and competitiveness</p>	<p>Most textiles designs are not registered under the Intellectual Property Rights hence most of the Ghanaian textiles designs are being used by other textiles industries in other countries (<b>pirating</b>).</p>	<p>Government is <b>enforcing the borders</b> of the country with competent personals to check and control the number of Ghanaian designs that are being prated as well as <b>launches a massive campaign for registration under the Intellectual Property Right</b> (IPR).</p>	<ul style="list-style-type: none"> <li>• Intellectual Property Rights offices should be fully operational WITH special offices to address issue of the textiles industry</li> <li>• There should be an educational campaign for textile designers to be educated on the relevance of acquiring an IPR</li> </ul>
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*This information was taken from the Ghana Trade Policy documents from the Ministry of Trade and Industry.<sup>34</sup>*

### 3.2 THE GHANA INDUSTRIAL POLICY

After the implementation of the Ghana Trade Policy, the government perceived the need to formulate another policy to promote the industrial sector. This was because most industries in the country needed upgrading or had closed down as a result of the crisis in the sector. This problem led to the formulation of the Ghana Industrial Policy which was launched in 2010. The Industrial Policy “provides clear and transparent guidelines for the implementation of Government’s industrial development agenda, to ensure the competitiveness and growth of Ghana’s manufacturing sector.”<sup>35</sup> The Industrial Policy is fully aligned with Ghana’s Policy, reinforcing each other in ensuring that a consistent and stable environment is in place for

<sup>34</sup> Ministry of Trade and Industry, Ghana – West Africa, copyright © 2011.  
[http://www.moti.gov.gh/home/index.php?option=com\\_docman&Itemid=128](http://www.moti.gov.gh/home/index.php?option=com_docman&Itemid=128).

<sup>35</sup> GhanaWeb, Copyright © 1994 – 2011, The launch of the Ghana Industrial Policy [www.ghanaweb.com](http://www.ghanaweb.com).

accelerated industrial development.<sup>36</sup>

The Ghana Industrial Policy was set within the context of achieving Ghana’s, strategic vision of a long-term industry-driven economy with growth, development and sustainability by 2020.

The policy document is made up of four main thematic areas. Although this policy is geared towards industrialization issues pertaining to textile, industry in Ghana has not been addressed fully. Below is a table of the thematic areas that affects the textiles industry and what has been done.

THEMATIC AREAS (FACTOR)/& POLICY PURPOSE	CURRENT SITUATION OF THE POLICY. (PROBLEMS)	WHY THE GOVERNMENT HAS NOT BEEN ABLE TO SOLVE THESE PROBLEMS/ OR WHAT HAS BEEN DONE	SOLUTIONS / RECOMMENDATION(WHAT SHOULD BE DONE)
<p><b>COMPONENT 1</b></p> <p><b>Production &amp; Distribution</b></p> <p><b>1.1 Raw Materials, Inputs Supply, Plant, Equipment and Machinery</b></p> <p>The critical success factor in local production and distribution of goods is the availability of cost-competitive and quality raw materials and other inputs supply.</p> <p><b>1.1.4 Imported Raw Materials</b></p>	<p>Ghana’s manufacturing sector <b>has not responded well to the various economic and trade policy reforms</b> pursued over the past decade. Manufacturing firms have faced considerable challenges in the form of increased competition in the domestic and export markets and high production and distribution costs arising from high interest rates, aged and obsolete equipment, inefficient infrastructural services and low productivity.</p> <p>The country is not producing enough and production is sometimes not</p>	<p>Aside the fact that the policy was just implemented in June 2011.</p> <p>The Government of Ghana <b>has initiated and implemented policies to develop requisite skills ensure adequate and cost-competitive production</b> inputs and services and provide needed finance for industrial development.</p> <p>The Ministry has put in place mechanisms so that sources of raw materials can be produced within the</p>	<p>The government in conjunction with the private sector should assist the raw material firm’s assistance in form of partnerships and finance to increase their production of raw materials. E.g. the government can continue the Cotton Support Program with better system to properly coordinate the program.</p>

<sup>36</sup> Ghana Industrial Policy (2010): Policy document which spells out clear agenda of government for the development of the industrial sector prepared by the Ministry of Trade and Industry.

	<p>consistent to meet the demand of the industry</p>	<p>country a typical example is the cotton support program which aims at providing farmers with incentives and support to produced for the cotton mills within the country so that import on raw materials can be reduced.</p>	
<p><b>1.1.5 Plant, Machinery and Equipment</b></p>	<p>The plant, machinery and equipment in Ghana are mostly obsolete and aged and affect productivity.</p>	<p>The Government of Ghana through partnership with the Government of Italy has set up a facility to assist industrialist to purchase machineries for production. (Ghana private sector development fund)</p>	<p>Government will initiate policies to increase local content in the manufacturing process by encouraging the production of local raw materials and the fabrication of plant and machinery.</p>
<p><b>1.2.3 Labor Productivity</b></p>	<p>The sector is beset with low levels of labor productivity which affects the competitiveness of the sector.</p>	<p>The <b>government wants to partner the private sector to increase management training and education</b> that will enhance competitiveness in terms of worker productivity.</p>	<p>Government should encourage financial institutions to support the re-tooling of local industries.</p>
<p><b>1.3.2 Cost of Credit</b></p>	<p>The high cost of borrowing limits access to credit and raises the cost of doing business for manufacturing firms and this restricts the scope for growth.</p>	<p>The government is supporting the banking sector to <b>reduce transaction cost and risk through</b> measures such as strengthening credit reference bureaux, expanding credit guarantee schemes, strengthening commercial courts and contract enforcement.</p>	<p>Government will encourage industry and labor to jointly develop productivity benchmarks in a bid for labor to adopt the right attitudes and work culture that enhance productivity.</p>
<p><b>1.4.3 Electricity and Water</b></p>	<p>Electricity and water supplies is a pre-requisite for accelerated industrial</p>	<p>Government is ensuring that there is a <b>reliable and sustainable supply of water and electricity to industry.</b></p>	<p>The government should</p>

<p><b>1.6.3. Export Trade</b></p>	<p>development. However this is one of the main challenges facing the textiles industry in Ghana. <b>11%</b> of textiles production cost goes into water and electricity bills.</p> <p>There is the need to address the challenges of low production capacities, <b>low productivity, lack of market information, poor product quality and unattractive packaging</b>, which tend to make locally manufactured products uncompetitive.</p>	<p>Government of Ghana in collaboration of the Ghana <b>electricity cooperation has come to an agreement to subsidize the amount of energy</b> consumed by the industries.</p> <p><b>The Export Trade and Support Service division of the Ministry of Trade and Industry</b> are mandated to provide exporters the needed support in collaboration with the Ghana Export Promotion Council (GEPC) currently <b>the agency has achieved 23% of export growth in 2010.</b></p>	<p>continue to encourage competition in the banking sector. Government can also remove the secondary reserve requirements Banks to ensure adequacy of funds for lending to SMEs. Also the government can keep the annual budget deficit in line with the target set in the 1992 constitution <b>(10% of GDP)</b> and <b>reduce dependence on treasury bills as financial instruments</b> to cover budgetary deficits.</p> <p>Government should continue with the plans of forming an <b>industrial village</b> so that access to water and electricity will be better managed. Government can also map up and</p>
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			<p>implement energy and water efficiency and conservation program aimed at educating industrialist on effective and efficient way of saving water.</p> <p>Government should ensure that export promotion strategies focus on manufactured products.</p> <p>The government should also create a platform between academia and industry to come out with attractive packaging.</p>
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<b>COMPONENT 2</b>			
<p><b>Technology &amp; Innovation</b></p> <p><b>2.1.5 Linkages within the Science, Technology and Innovation System</b></p> <p><b>To strengthen linkages among key agents in the science, technology and innovation system.</b></p> <p><b>2.3.1 Adequate and Appropriate Legal Forms of Intellectual Property Rights</b></p>	<p>There is a weak science, technology and innovation system, with limited interactions between key agents in the system such as universities, research and technology transfer institutions, and industry. These weak linkages have resulted in inadequate support for technology innovation, adaptation and transfer to the industrial sector.</p> <p>There is currently a big problem with Intellectual Property Right in the textiles industry because most of the designs are not registered under IPR's hence other country industry's are taking advantages of the situation and pirating the designs.</p>	<p>Government is putting in place the need requirement together to kick-start the operation.</p> <p>Government is currently organizing a <b>Trainer Of Trainers (TOT)</b> which is providing education to the trainers so that they can impact during the campaign period.</p>	<p>Government should encourage the development of science, technology and innovation links and programs with international centers of excellence.</p> <p>Government will provide <b>effective rules to protect intellectual property rights and a coordination mechanism to ensure effective administration of such rights.</b> As well as massive <b>education</b> on IPRs.</p>
<b>COMPONENT 3</b>			
<p><b>Incentives &amp; Regulatory Regime</b></p> <p><b>3.1 Incentives For Industrial Development</b></p> <p><b>Incentives are important instruments for promoting industrial</b></p>	<p>The survival and growth of the manufacturing sector is key for industrial development. In the face of limited resources, there is the need to identify strategic industries as well as distressed but</p>	<p>Government has facilitated and support the development of key strategic sectors based on clear and transparent criteria.</p> <p>Government will ensure that investment incentives are appropriate to attract</p>	<p>The Export sector requires incentives to attract investments into the sector. Incentives targeted at the export sector will boost</p>



<p>growth. Targeted incentives can help overcome market failures that lead to under-investment, low export capacity and limited use of domestic content in the manufacturing sector.</p>	<p>potentially viable industries for special support to <b>enable them overcome market failures.</b></p>	<p>investments into the manufacturing sector.</p>	<p>export-led industrial development. Government should strengthen export finance institutions and programs to enhance their effectiveness.</p>
<p><b>3.1.2 Investment Incentive</b></p>	<p>There is no incentive that is encouraging value addition to attract investment both domestic and internationally.</p>	<p>Government is searching for investors but an agreement has not been reached due to the demands on the part of investors.</p>	<p>Government should <b>strengthen grant financing schemes</b> to target investors in the sector.</p> <p>Government should also make <b>investment incentives such as tariff reductions more attractive</b> and also create the needed <b>environment for investment such as land ownership reforms.</b></p>
<p><b>3.1.3 Export Incentives</b></p>	<p>The incentives in the export sector are not attractive enough to investments which will boost export-led industrial development.</p>	<p>Government has <b>strengthened export finance institutions and programs to enhance their effectiveness.</b> That brought about <b>Export Development and Investment Fund (EDIF)</b></p>	<p>Government should streamline and enhance incentives to export-oriented manufacturing firms.</p>
<p><b>3.5 Strategic</b></p>	<p>Due to limited</p>	<p>Government is currently</p>	<p>Also the government through the</p>

<p><b>Interventions For Industrial Development</b></p>	<p>resources, there is the need to <b>identify strategic to address and support</b> the distress textile industries. Also Interventions directed at strategic industries are however, <b>uncoordinated, inadequate and untimely.</b></p>	<p>has incorporated financing for strategic interventions into the annual budget.</p>	<p>Ministry of Trade and Industry should organize an <b>Awarding Winning Scheme</b> for the best textile export with standards of the international market. Develop criteria and guidelines, including entry and exit strategies, for government intervention in industry.</p> <p>Direct a percentage of the proposed Industrial Development Fund to support strategic interventions in industry.</p>
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*information was taken from the Ghana Industrial Policy documents from the Ministry of Trade and Industry.<sup>37</sup>*

### **3.3 INDIA TEXTILES INDUSTRY**

The textile industry in India is an important sector of the Indian economy and also contributes a large share of foreign exchange earnings to the country. The industry contributes a total share “of 4 percent of Gross Domestic Product (GDP), with 20 percent as its industrial output and slightly more than 30 percent of export earnings.”<sup>38</sup> The industry is the largest source of

<sup>37</sup> Ministry of Trade and Industry, Ghana – West Africa, copyright © 2011. [http://www.moti.gov.gh/home/index.php?option=com\\_docman&Itemid=128](http://www.moti.gov.gh/home/index.php?option=com_docman&Itemid=128).

<sup>38</sup> Shetty A. Sundar, India’s Textile and Apparel Industry: Growth Potential and Trade and Investment

employment in the industrial sector with about 38 million people in India.

The industrial structure of India's textile industry has also contributed to the growth of the sector and also their contribution to international trade as a whole. Their structures have characteristics such as the second largest yarn-spinning capacity in the world after China with nearly 2,500 spinning mills and 285 large vertically-integrated composite mills. They also have the largest number of looms for weaving fabrics which amounts to 64 percent of the world's installed looms. The handloom and power loom sections were established with assistance from government with the intention to provide rural development and employment. The structures also have the fabric processing section which handles dyeing and finishing of the fabrics.

However, the competitive position of the Indian textile industry can be linked to so many factors: India is the second leading cotton producer in the world, which is to say that they have readily available source of raw material. Also, the country is ranked as the fifth producer of polyester fibers and filament yarns and third largest producer of cellulosic fibers and filament yarns (all categorized as man-made fabrics). The textile sector is moreover regarded as competitive because of the variety of textiles produces by the factories with a spinning section which is comparatively modernized and competitive and makes up to 20 percent of the world cotton yarn export. It is furthermore worth saying that the industry receives massive support from the Government of India.

One must also not overlook the labor force of the economy since in a labor intensive industry such as textiles the comparative advantage for one to survive on the market depends on the

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Opportunities, US International Trade Commission (Washington, DC March 2001) , V.

labor size of the industry. Then it goes without saying that India stands tall with a “population of 1.21 billion and a growth rate of 1.44%.”<sup>39</sup> As such this has also been a factor of India’s growth and development especially in the textile sector.

### **3.4 NATIONAL TEXTILE POLICY (2000) FOR INDIA**

With the textile industry being one of the booming industries in India, considering its contribution of GDP to the economy, employment created by the sector, and sustainable growth that the industry has contributed to the economy, indeed it is remarkable. The Government of India (GOI) was moved to assist the sector to resolve the challenges and problems facing the industry; based on consultations with experts in the field and stakeholders, they “redefined goals and objectives that will thrust the areas and sharpened strategy that will be in tune with the time.”<sup>40</sup> This therefore led to the announcement of the new National Textile Policy (NTP) 2000 on November 2, 2000 which was formulated as part of the policies to be implemented by the Ministry of Textile in India.

This policy was to assist the economy in achieving some set goals and targets such as raising the target of the Indian textile and apparel market in the US from \$11 billion USD to \$50 billion USD by 2010. The policy according to the

... provides for setting up venture capital fund for tapping knowledge-based entrepreneurs and assisting the private sector to set up specialized financial arrangements to fund the diverse needs of the textile industry.<sup>41</sup>

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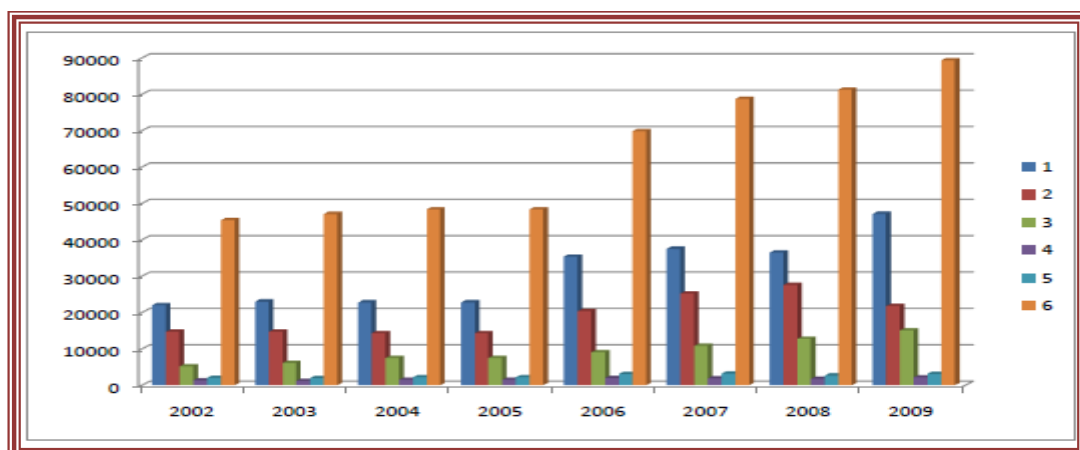
<sup>39</sup> Ebricks, Copyright © 2009 [IndiaFlag.info](http://www.indiaflag.info), <http://www.indiaflag.info/india-population.htm>.

<sup>40</sup> Texmin, The textile industry, [http://texmin.nic.in/policy/policy\\_2000pdf](http://texmin.nic.in/policy/policy_2000pdf).

<sup>41</sup> Embassy of India, Washington DC, India Economic News [Highlights of the National Textile Policy 2000](http://www.indianembassy.org/enews/enews_nov_2000.pdf), Volume XI, Numbers 10-1, November 2000. [http://www.indianembassy.org/enews/enews\\_nov\\_2000.pdf](http://www.indianembassy.org/enews/enews_nov_2000.pdf).

The policy also aimed at involving the private sector to set up integrated textile complexes and textiles processing units in other parts of the country which will go a long way to improve the work of Textiles Research Associations (TRAs) to be able to provide the needed assistance to the industry. The policy also targeted various sectors within the textiles industry and provided restructuring of both the facilities, the availability of raw materials, improve and retooling of obsolete machineries, Human Resource Development, fiscal policy that is growth-oriented and conveys the benefit of predictability for the industry and a proper delivery mechanism.

All the various sectors within the industry contribute tremendously to the growth of the industry. Below is a table that indicates the sector analysis of the textiles industry by Dr. Asiya Chaudhary who is an Assistant Professor at the Department of Commerce, India.



**Note:**<sup>42</sup>

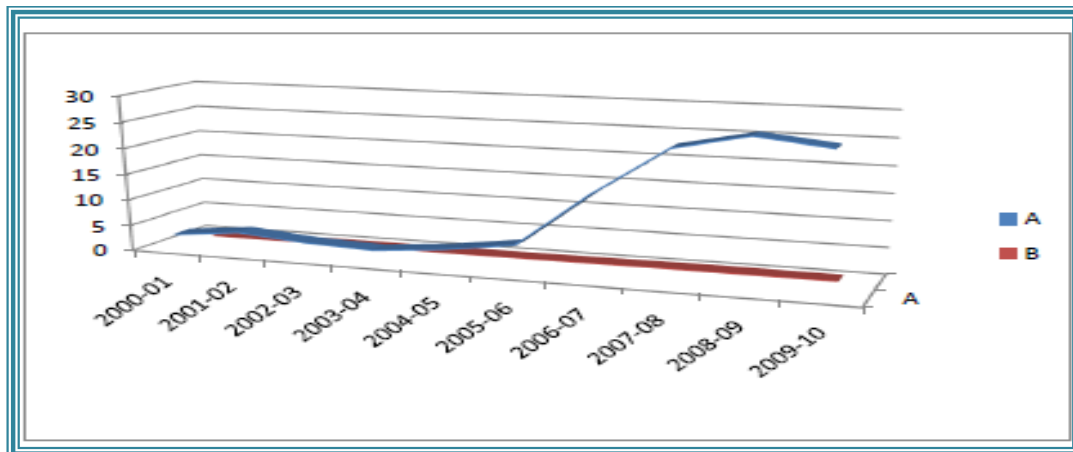
(X axis represents items and the time periods. & Y axis shows the amount in USD \$ in millions)

**Item No. 1= Readymade Garments, 2= Cotton Textiles, 3=Man-made Textiles, 4=Woolen Textiles, 5=Silk, 6= Total textile Exports.**

**Table 10: Sector Analysis of Indian Textiles Sector Export.**

<sup>42</sup> Chaudhary Asiya Dr., Changing Structure of Indian Textiles Industry after MFA(Multi Fiber Agreement) Phase out: A Global Perspective, Far East Journal Of Psychology and Business Vol.2 No.2, (Far East Research Centre, Hong Kong, February 2010), 8.

The success of the India textiles sector can also be attributed to the immense commitment on the path of government and the involvement of the private sector in their quest to promote their industry. This has attracted Foreign Direct Investment (FDI) into the country especially into the Textile Industry.



Source: Dr. Asiya Chaudhary

Note:<sup>43</sup> ( X axis represents the time period and Y axis represent FDI amount in USD \$)

A= FDI in all sectors in India, B= FDI in textiles Sector.

**Table 11: FDI in Textiles Sector in India.**

The Government of India is committed to providing a “conducive environment to enable the Indian textiles industry to realize its full potential, to achieving global excellence, and to fulfill its obligation to different sections of the society.”<sup>44</sup> Consequently, the government through the textile policy has created the needed environment that has contributed to the growth and sustainability of the industry through the private sector participation and with the appropriate institutions and agencies to see to the day-to-day administration of the sector activities.

<sup>43</sup> Ibid, 14.

<sup>44</sup>Embassy of India, Washington DC, India Economic News Highlights of the National Textile Policy 2000, Volume XI, Numbers 10-1, November 2000 [http://www.indianembassy.org/enews/enews\\_nov\\_2000.pdf](http://www.indianembassy.org/enews/enews_nov_2000.pdf).

### 3.5 PAKISTAN TEXTILES INDUSTRY

The textile sector in Pakistan has the advantage of a fundamental position in the exports of the economy. The sector has been the major contributor to the economy in terms of foreign exchange and creation of jobs over the past 50 years. The export items of Pakistan are made up of almost 63 percent of textiles. Pakistan is the eighth largest exporter of textile products on the Asian continent. The textile sector of the economy

...contributes a total GDP of 8.5%. It provides employment to about 15 million people, 30% of the country work force of about 49million. The annual volume of total world textile trade is US\$18 trillion which is growing at 2.5 percent.”<sup>45</sup>

The country is also one of the leading members of the cotton producers in the world (Pakistan is the world’s 4th largest producer and 3rd largest consumer of cotton). As such the development of the industry will also contribute to the country maintaining its position on the cotton market and also promote industrialization since it will be predominately consumed by it local Textile Industry.

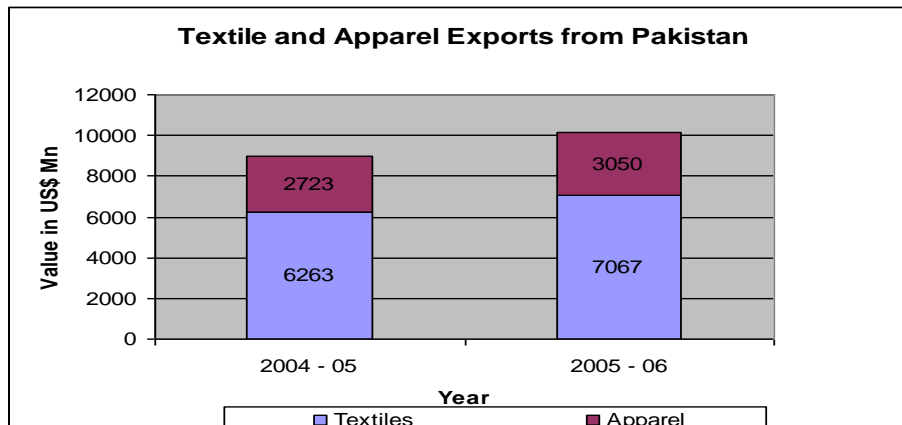
Presently the textile sector of the economy can boost of “1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units which produce textile products.”<sup>46</sup> The textiles industry in Pakistan has experienced sustainable growth over the years and according to trade experts

Pakistan’s textile industry had proved its strength in global market during the last four decades. It has proved its strength even in post quota era by not only sustaining its position but, also showing growth during 2005 to 2007, but declined to \$11.1 billion in

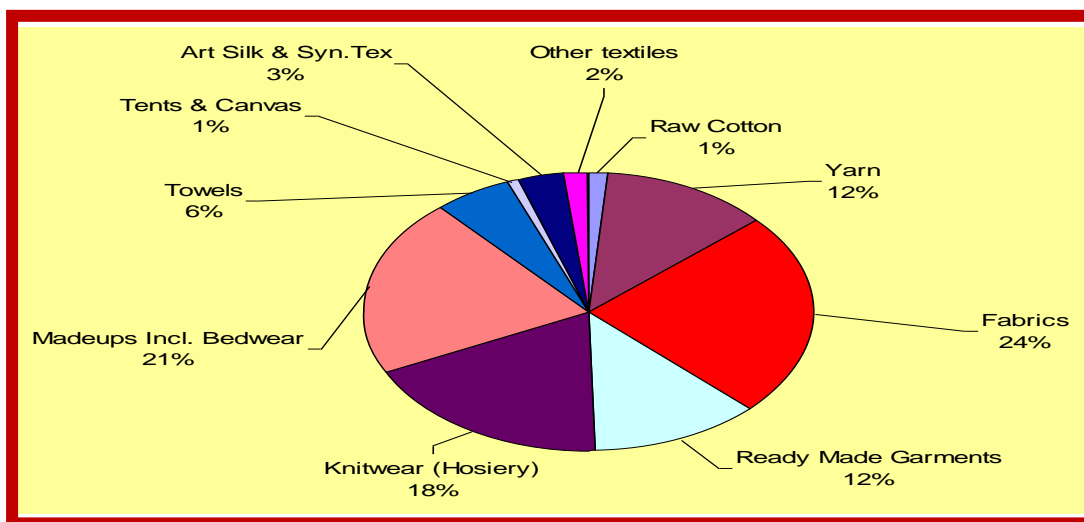
<sup>45</sup>Yasin Ahmed, Horizon securities (SMC-Pvt) Ltd., Report on Textile Industry of Pakistan, Textile Industry of Pakistan <http://horizonpak.com/db/Reports/research.pdf>.

<sup>46</sup> Ibid.

2008 due to financial and economic meltdown globally.”<sup>47</sup>



The competitiveness of the textiles industry in Pakistan stems from the fact that it employs 40 percent of the country’s working population, constitutes 46 percent of the manufacturing industry, and its ability to self-source cotton fabric. The major activity of the Pakistan textile industry is the spinning section out of which yarns spun is of high quality and exported. In 2006 the major exports of the Pakistani textile industry are indicated in the diagram below



**Pakistan Textile Exports – Major Categories 2006**

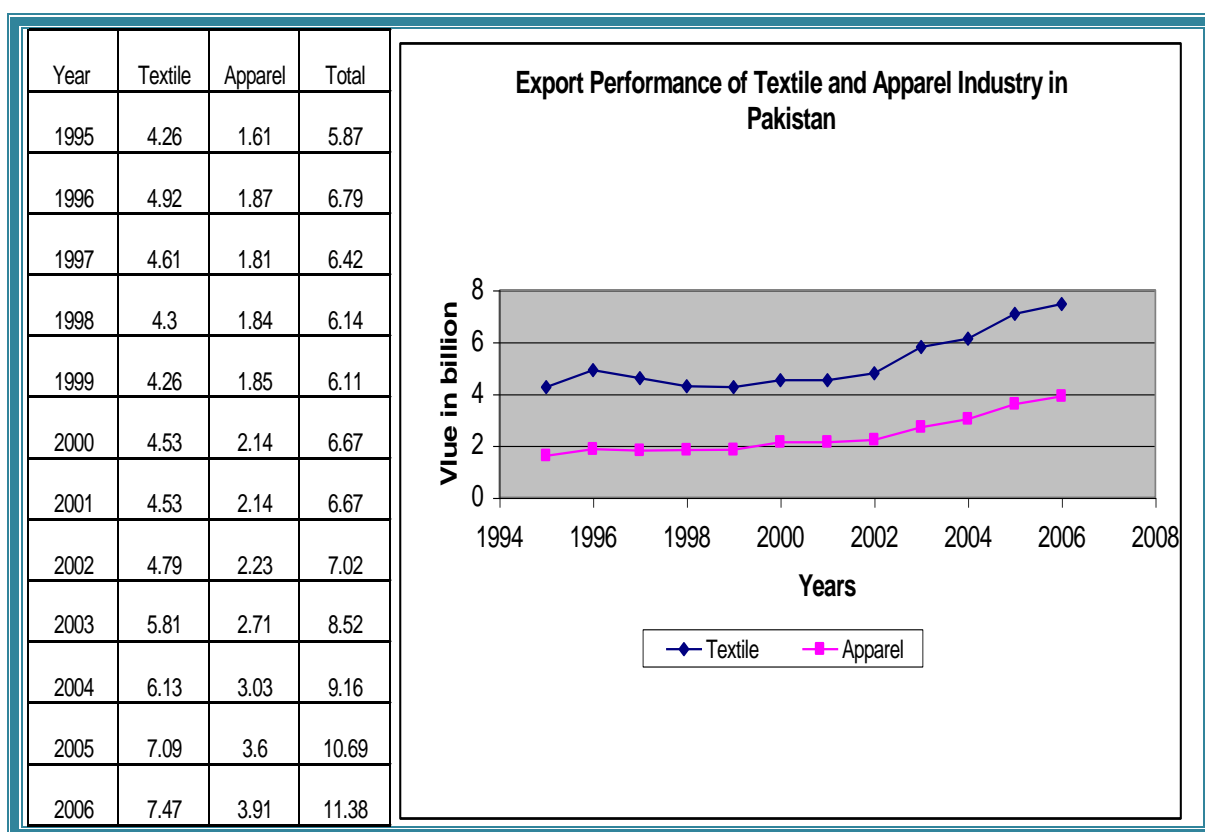
Source: <http://www.slideshare.net/mumtazalisyed/competitiveness-of-pakistan-textile-industry>

<sup>47</sup> Ibid.



The graph below also portrays the export performance of the textile and apparel industry of Pakistan from 1995- 2006.

... important to mention here that the major share of our textile exports goes to U.S.A., E.U., Canada and Japan. U.S.A. is the largest market for our textile products. The exports to these economies (except for Japan) are in the form of quotas.<sup>48</sup>



### Pakistan Export Performance 1995-2006

Source: <http://www.slideshare.net/mumtazalisyed/competitiveness-of-pakistan-textile-industry>

The textile and apparel industry in Pakistan as at “2006 consisted of ginning, spinning, man-made fiber, weaving, finishing, apparel, terry towel, tarpaulin and canvas, and knitwear machinery sectors.”<sup>49</sup>

<sup>48</sup> Afia Malik, Demand for Textile and Clothing Exports of Pakistan, <http://www.pide.g.pk/Research/report180.pdf>.

<sup>49</sup> [http://www.textileworldasia.com/Articles/2007/JanuaryFebruary/Features/Pakistan\\_Textile\\_Industry\\_Profile.h](http://www.textileworldasia.com/Articles/2007/JanuaryFebruary/Features/Pakistan_Textile_Industry_Profile.h)

### **3.6 TEXTILES POLICY FOR PAKISTAN (2009-2014)**

As a result of the contribution of the industry to the development of the economy the government introduced the Textile Policy which was to be implemented within a 5 year period (2009 – 2014). The policy was formulated by the Ministry of Textile Industry with the aim of a new beginning for the textile sector. It approved at a special meeting of the Cabinet held on 12<sup>th</sup> August, 2009. The policy was driven by the participation of the private sector business leaders, exporter, labor and all other associated with the industry to charge the policy vision into reality.

Pakistan's "comparative advantage is mainly pre-empted by low value-added exports as reflected in the country's 12<sup>th</sup> rank in the world textiles exports."<sup>50</sup> To improve this rank the government of Pakistan in the textile policy has allocated an amount of \$ 1 billion USD cash to subsidize the exports of the textiles and clothing sector. The policy is largely centered on export promotion and it aims at increasing the export amount from its current \$17.8 billion USD to \$25 billion USD by 2014.

According to Altaf Katchi at the 2011 Annual Preview with the theme Pakistan's textile industry gearing up for growth, the textile industry in Pakistan is emerging as a strong player especially after the 2008 meltdown since it caused most of the textile mills especially that in the USA, EU, Brazil, a few South American countries and Turkey to shutdown their production lines. This has presented an advantage to countries in developing countries with the comparative advantage in the sector.

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[tml](#).

<sup>50</sup> Textiles Policy 2009-14, Ministry of Textile Industry.1.

<b>TEXTILE INDUSTRY'S ECONOMIC CONTRIBUTION 2008-2009</b>	
<b>EXPORTS</b>	54% OF TOTAL EXPORTS (US \$ 9.57 BILLION)
<b>MANUFACTURING</b>	46% OF TOTAL MANUFACTURING
<b>EMPLOYMENT</b>	38% OF TOTAL LABOUR FORCE
<b>GDP</b>	8.5% OF TOTAL GDP
<b>INVESTMENT</b>	US \$ 7.0 BILLION
<b>MARKET CAPITALIZATION(LISTED COMPANIES)</b>	5.0% OF TOTAL MARKET CAPITILIZATION

*Source: Pakistan Economic Survey, SBP, TDAP<sup>51</sup>*

The textile policy did not only promote and develop the industry it all provided means of promoting the industry.

Textiles Investment Support Fund (TISF) will be established under the ambit of the policy. The policy offers duty drawbacks of between 1% and 3% for a two-year period for value added textile exports. All textile machinery imports will be zero-rated to encourage new investments. Import duty on raw material, sub components and components used in local manufacturing of textile plants and machinery, has been reduced to zero percent.<sup>52</sup>

The government did all this to promote the textiles industry. The government of Pakistan created Ministry of Textiles instead of a textile board which facilitated the administration of the sector efficiently. The table below indicates the sector share of FDI into the Pakistan economy; however, it also indicates that the textiles sector under manufacturing is the second highest receiver of FDI contributions.

<sup>51</sup> Scribd, Statistics of Pakistan textile industry, <http://Www.Scribd.Com/Doc/47526745/Statistics-Of-PakistanTextile-Industry>.

<sup>52</sup> Pakistan Economic Survey (2008-2009), Country Snapshot, [http://investinpakistan.pk/pdf/IG\\_2011/Part1.pdf](http://investinpakistan.pk/pdf/IG_2011/Part1.pdf).

<i>Sector-wise Share of FDI (%)</i>					
Sectors	FY04	FY05	FY06	FY07	FY08
<b>I. Manufacturing</b>	<b>17.9</b>	<b>16.8</b>	<b>7.1</b>	<b>18.8</b>	<b>11.9</b>
1. Transport Equipment	0.3	2.2	0.9	1	2.2
2. Cement	0.2	0.9	1.1	0.7	2
3. Chemicals	1.6	3.3	1.8	0.9	1.5
<b>4. Textile</b>	<b>3.7</b>	<b>2.6</b>	<b>1.3</b>	<b>1.2</b>	<b>0.6</b>
5. Others	12	7.9	2	15.1	5.6
<b>II. Non-manufacturing</b>	<b>82.1</b>	<b>83.2</b>	<b>92.9</b>	<b>81.2</b>	<b>88.1</b>
<b>A. Extractive Industries</b>	<b>21.4</b>	<b>12.8</b>	<b>9.2</b>	<b>11.2</b>	<b>13.2</b>
1. Oil and Gas Explorations	21.3	12.7	8.9	10.6	12.3
2. Others	0.1	0.1	0.3	0.6	0.8
<b>B. Other Services</b>	<b>60.6</b>	<b>70.4</b>	<b>83.7</b>	<b>69.9</b>	<b>75</b>
1. Communication	23.4	34	55	37	31.5
(a) Telecommunication	21.8	32.4	54.1	35.6	27.9
(b) IT	1.4	1.5	0.9	1.4	3.5
2. Financial Business	25.5	17.7	9.3	18.2	31.2
3. Trade	3.8	3.4	3.4	3.4	3.4
4. Construction	3.4	2.8	2.5	3.1	1.7
5. Transport	0.9	0.7	0.5	0.6	1.4
6. Power	-1.5	4.8	9.1	3.8	1.4
7. Others	5.2	7	3.8	3.9	4.3

*Source: State Bank of Pakistan.*

Sector-wise share of FDI (%)<sup>53</sup>

<sup>53</sup>Muhammad Arshad Khan et al, Pakistan Institute of Development Economic, *Foreign Direct Investment & Economic Growth in Pakistan: A Sectoral Analysis*  
<http://www.pide.org.pk/pdf/Working%20Paper/WorkingPaper-67.pdf>.

## **CHAPTER 4**

### **ANALYSIS**

This chapter aims at examining and evaluating the performance of the components of the Trade and Industrial policies in Ghana, Pakistan and India that are targeted at the growth and development of the Textiles Industry. The chapter will also scrutinize and investigate the policies of Pakistan and India and relate them to Ghana and identify their strengths and weakness of both countries and divulge how they were able to overcome these challenges.

The lessons learnt will be accessed and measure how applicable it will be in Ghana.

In the main, the chapter will take a look at some frameworks and models that are being suggested by some authors in the field of policy to attest how policy process can effectively be formulated and implemented. The models or framework used by Ghana, Pakistan and India will also be evaluated to ascertain their performance; however, based on the fact that the context for development varies from country to country, the author will develop a framework that will be more suitable for Ghana based on lessons acquired from the study of the international frameworks and that of the countries used in the benchmarking (Pakistan and India).

The final part of this chapter will analyze statistical data on how Ghana, Pakistan and India performed in terms of textiles export and import before and after the implementation of the policies.

#### **4.0 PUBLIC POLICY AND IMPLEMENTATION**

The term public policy as defined by Birkland ( 2005) is “whatever governments choose to do or not to do.”<sup>54</sup> He argues that there is no definite definition for public policy. However

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<sup>54</sup> Thomas A. Birkland, *An Introduction To The Policy Process, Theories, Concepts, and Models of Public*

what makes it public is that it is made for the masses. The policy making and implementation process goes through many stages to be approved and implemented with many actors. A policy maker must bear in mind that a public policy is a public good and as such there are many interest groups who have a stake in the policy implementation. What then is a policy? A policy as defined by Birkland is a statement by government of what it intends to do or not to do, such as a laws, regulations, rulings, decisions or orders, or a combination of these.

However, policies come in many forms; they may be distributive, regulatory and redistributive policies. For the purpose of this study the Ghana Trade and Industrial Policies fall under the criteria of the distributive policy, which tends to allocate a good or benefit to some segment of society, but whose costs are not deeply felt by another group in society. A major characteristic of a distributive policy is that it causes little political conflict. For any policy implementation to be good and successful it must have a comprehensive framework or model to follow.

#### **4.1 MODELS AND FRAMEWORK FOR TRADE AND INDUSTRIAL POLICY**

Many arguments have been made in terms of having the appropriate framework or model for policy implementation. What then is a model? According to dictionary.com a model is “a standard or example for imitation or comparison.”<sup>55</sup>

Models however come in many forms, shapes styles and sizes. It is essential to accentuate that a model is developed by humans; however, it helps us understand the world systems much better. On the whole models have an avenue for input and processing (processor) of information as well as an output which gives information about an anticipated or expected

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*Policy Making, Second Edition.* (© 2005 by M.E.Sharpe, Inc., New York), 17.

<sup>55</sup> Lexico Publishing, LLC, Dictionary.com, LLC. Copyright © 2011,

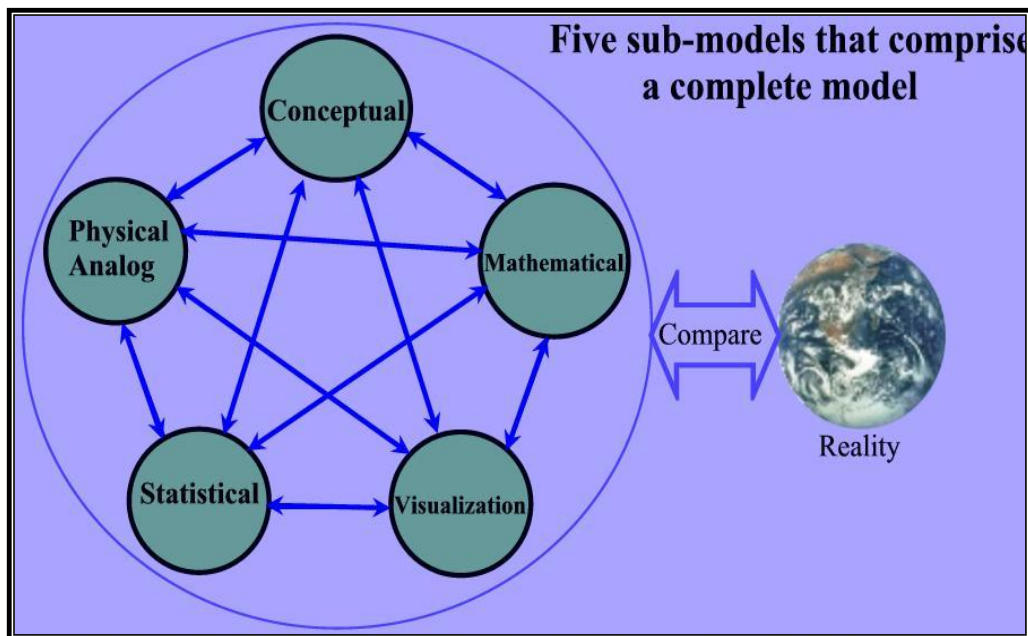
<http://dictionary.reference.com/browse/model>.

result.

A framework is also defined as a “broad overview, outline, or skeleton of interlinked items which supports a particular approach to a specific objective, and serves as a guide that can be modified as required by adding or deleting items.”<sup>56</sup> Frameworks also put in order “analytical and prescriptive inquiry, it also provides the needed variables and a metatheoretical language that is used in the comparison of theories.”<sup>57</sup>

For a model to be complete it must comprise five sub-models that makes a complete model.

Below is a framework that depicts the five sub-models that completes a model.



Source: <http://serc.carleton.edu/introgeo/models/WhatIsAModel.html>

Having an institutional frame will aid in the identification of all the major types of structural variables which are present to some extent in all institutional arrangements. However it must be realized that the values may differ from one type to the other depending on the institutional arrangement.

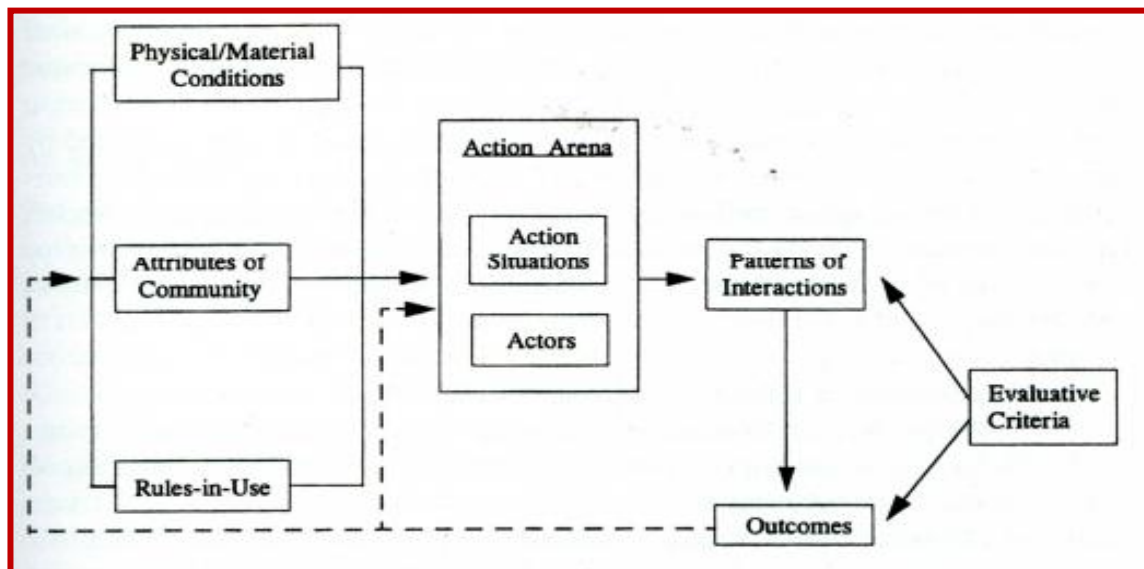
<sup>56</sup> Ibid, <http://www.businessdictionary.com/definition/framework.html>.

<sup>57</sup> Paul A. Sabatier, theories of the policy process (Colorado, USA, Westview press, © 2007), 25.

The framework has “multitier conceptual map” which is the identification of an action arena, the resulting patterns of interactions, outcomes and the evaluation of the outcomes as shown in the diagram below.

The problem that can be associated or linked to the analysis process might occur in the operational stage where actors intermingle in light of the motivation they encounter to produce an outcome openly in the world. The operational problems may be in the form of designing the incentives to overcome the problem with free-riders, the challenge of organizing the interest groups and the problem of infrastructure.

In addition, the other problem in the analysis process may be as a result of policy level where a collective choice is needed to make a decision. The problem arises when the decision is made within the limitations of a set of collective - choice rules which end up affecting the structure of arena where operational decisions are made and it may affect or impact the world directly. Also the problem may be a result of constitutional level where decisions are made regarding the eligibility to partake and the rules to carry out the policymaking.



**A FRAMEWORK FOR INSTITUTIONAL ANALYSIS**

*Source: adapted from E.Ostrom, Gardner and Walker (1994) pp 37.*



In a conference held by the OECD Investment Committee in partnership the World Bank (2005) under the theme “A Policy Framework for Investment: Trade Policy” which was hosted by the Government of Brazil were of the view that

...country’s trade policy may manipulate both foreign and domestic investment and is also significant for every development strategy. Investment has long been recognized as a key ingredient to economic growth and development.<sup>58</sup>

This is to say that for any country to foster investment and growth of its economy through trade that country must first have a solid policy framework in place to ripe the full benefits (gains) of trade.

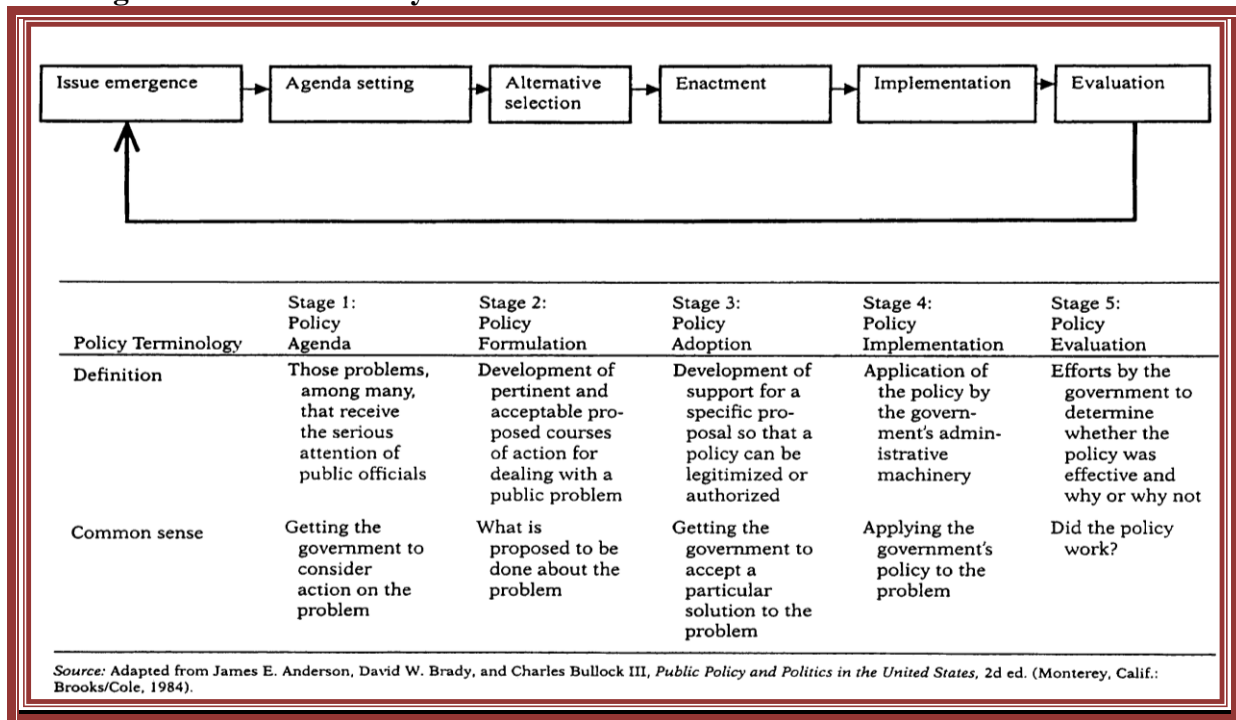
#### **4.2 TYPES OF MODELS FOR POLICY PROCESS**

Many types of models can be adapted in the policy making process; however, not all policy can be applicable in all countries. In choosing a model for policymaking one needs to take into account many things which include the policy tool to adapt, the policy design and the actors to be able to have an effective policy making process and implementation. There have been many policy models which were developed in the past; however, there have been new policy models for the policy process.

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<sup>58</sup> Government of Brazil in partnership with World Bank, OECD Conference Investment For Development: Making It Happen, <http://www.oecd.org/dataoecd/10/57/35488872.pdf>.

## The Stages Model of the Policy Process



## Kingdon's Streams Metaphor

The Kingdon's stream metaphor is one of the current models which were developed by John Kingdon in which he argues that issues gain agenda status and alternative status when "elements of three streams are joined together."<sup>59</sup> He further mentioned that each of the streams is a representation of different individual agencies, groups, or institutions that are involved in the policy making process.

One stream includes the state of politics and public opinion otherwise called the political stream. The second includes the potential solution to a problem which is also known as the policy stream and finally the third stream which covers the traits of a problem and whether it is improved or getting bad, or it has unexpectedly sprung into community and elite awareness through a focal point incident and as to whether it is solvable in the policy stream with other alternatives.

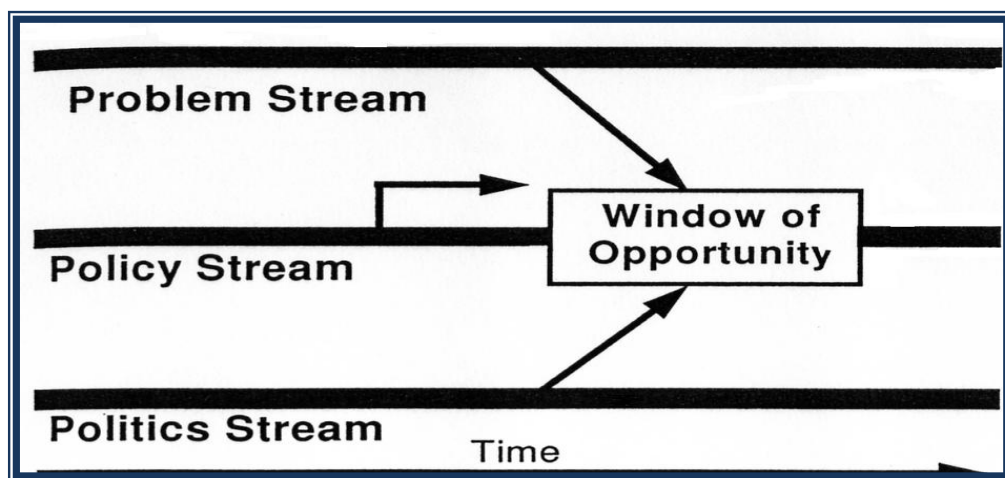
<sup>59</sup> Thomas A. Birkland, *An Introduction To The Policy Process, Theories, Concepts, and Models of Public Policy Making, Second Edition*. (© 2005 by M.E.Sharpe, Inc., New York), 225.

The change might occur in the political stream that is complimentary to the policy change, change our perceptives of the problem and also a transformation in the tractability of the problem given the current solution or the vent that brought attention to the problem and aided in the opening of the window of opportunity. The window of opportunity is where there is likelihood for a change in policy after two streams meet when a problem might have occurred. The diagram below is the Kingdon's Streams Metaphor framework which depicts the explanation.

**Advocacy Coalition Framework**

The model was developed by Paul Sabatier and is

an approach to studying the policy process that competes that, two to four advocacy coalitions typically form in a particular policy domain when groups coalesce around a



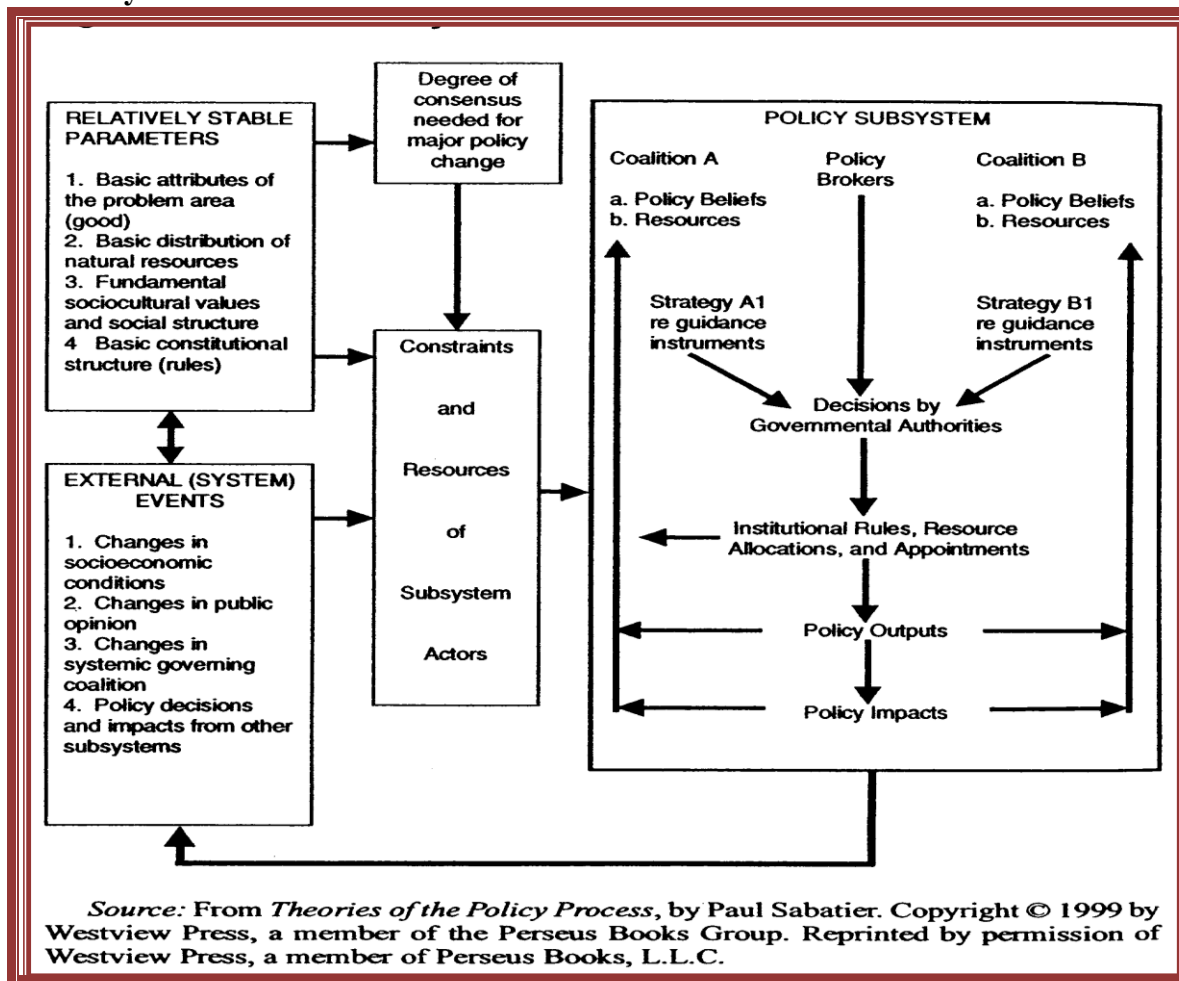
shared set of core values and beliefs. Policy

is the result of competition and debate between the advocacy coalitions. This is to say that interest groups are organized in policy communities within a policy domain.<sup>60</sup>

Below is a diagram that represents that framework of the Advocacy Coalition.

<sup>60</sup> Ibid, 226.

## Advocacy Coalition Framework



## Punctuated Equilibrium

This model was a borrowed concept by Baumgartner and Jones from evolutionary biology to describe the process by which policy is made in the United States.<sup>61</sup> It states that public policy changes through a break-down of policy monopoly (a break-down of political power equilibrium.). There is a balance of political power between groups; however, interests' remain relatively stable over long periods of time, punctuated by relatively sudden shifts in public understanding of problems and in the balance of power between the groups. This is to say that idea of policy monopoly is that a policy monopoly is a fairly concentrated, closed

<sup>61</sup> Frank Baumgartner and Bryan d. Jones, *Agendas and instability in American Politics* (Chicago: University of Chicago Press, 1993).

system of the most important actors in policy making.

In spite the avenues created by the three main models for policy process it must be mentioned that it may not be able to address all situations fully; however, they complement each other. It is therefore the duty of the policy maker to take into consideration some facts before starting the policy process.

Hence to achieve the objectives of the policy making process the policy maker must take into account the following;

- ❖ The actors in the policymaking arena
- ❖ What is the values, beliefs, and motivation of such actors
- ❖ Policy environment including institutional settings that surround the actors and policymaking process itself
- ❖ How a policy issue becomes an agenda on the policymaking arena
- ❖ Factors involved in the decision-making process

According to OECD DAC Guidelines (2001), it is argued that in acquiring a framework for a trade policy there is not only one structure. Nevertheless, two countries cannot adapt the same formula, structure or approach. Thus far every country, despite the consequences of the path it chooses,

...master the same four-staged policy cycle: formulation of trade policy and strategy; preparation and execution of negotiating strategies; implementation of agreements; and monitoring and evaluation of policies and agreements. Although it is not possible to describe a single policy framework that is ideally suited to promoting trade, recent

capacity building efforts point to several features or arrangements that have tended to promote success.<sup>62</sup>

Below is a diagram that supports the argument made by OECD that

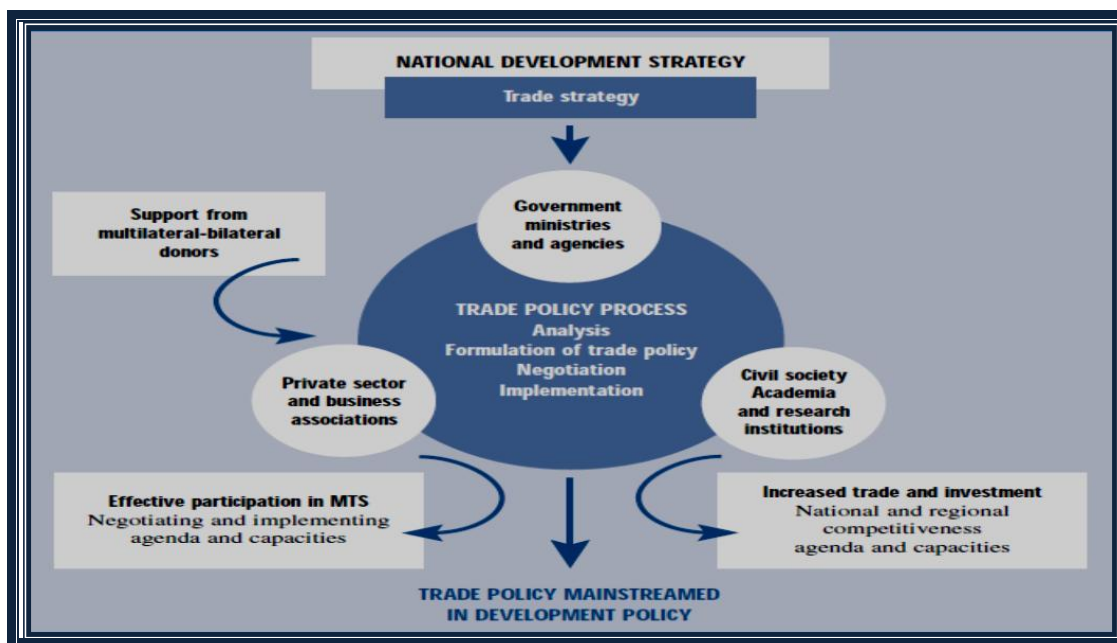
...donors and developing countries should seek to construct trade policy frameworks with some similar elements such as

- A coherent trade strategy that is closely integrated with a country's overall development strategy.
- Effective mechanisms for consultation among three key sets of stakeholders:  
government, the enterprise sector and civil society.
- Effective mechanisms for intra-governmental policy co-ordination.
- A strategy for the enhanced collection, dissemination and analysis of trade-related information.
- Trade policy networks, supported by indigenous research institutions.
- Networks of trade support institutions.
- A commitment by all key trade stakeholders to outward-oriented regional strategies.<sup>63</sup>

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<sup>62</sup> Organization for Economic Cooperation and Development (OECD) - The DAC Guidelines – Strengthening Trade Capacity for Development (OECD Publications, France, 2001), 42-43.

<sup>63</sup> Ibid, 43.



**NATIONAL DEVELOPMENT STRATEGY AND THE TRADE POLICY PROCESS.**

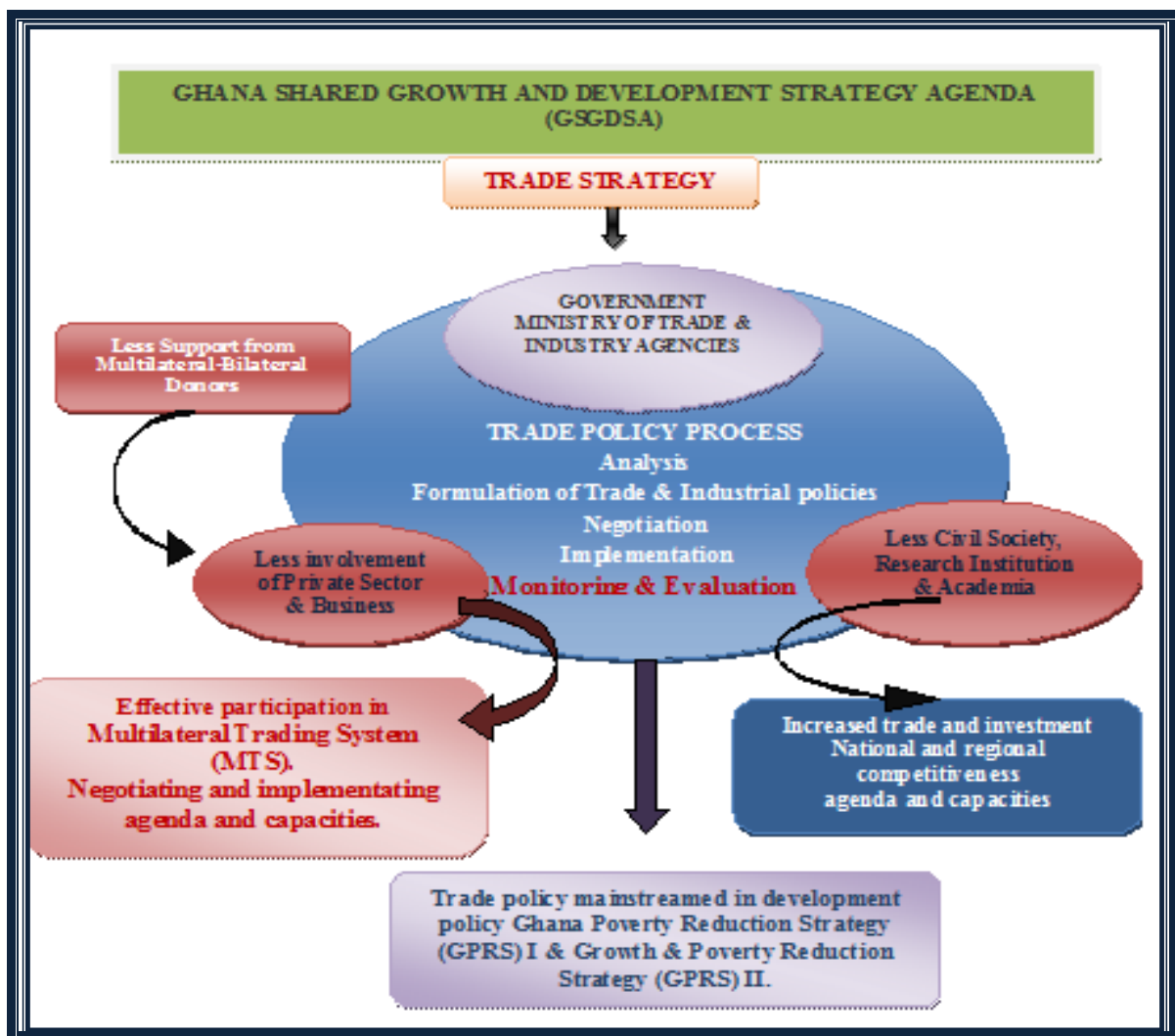
*Source: OECD, The DAC Guidelines*

**4.3 FRAMEWORK ADAPTED BY GHANA, INDIA & PASKISTAN**

Ghana has developed a national policy framework for all public policy processes. However, for the purpose of this study the focus of the framework will be on the policy framework designed for the Ministry of Trade and Industry. The framework was derived from the Ghana Shared Growth and Development Strategy Agenda (GSGDSA).

Ghana’s framework for trade policy process is more in line with the recommendations made by OECD. However, the major problems and loophole that were found in terms of implementing trade and industrial policies using the policy framework can be grouped into five major areas aside the delays made by the executive( Cabinet) and legislature (parliament) branch of government. The problems are:

- Less Civic Society, Research Institution & Academia
- Less involvement of Private Sector & Business
- Effective participation in Multilateral Trading System (MTS).  
Negotiating and implementing agenda and capacities.
- Monitoring and Evaluation
- Budget allocation constraints



The diagram above identifies where the Ghana Trade policy falls short (indicated in Red colored shapes) together with the framework in which the policy process goes through in the trade sector in Ghana.



The Indian international trade policy is different from the policy framework of the textiles ministry. However the strategy applied by the Ministry of Textiles in India has its vision “to build a state of art production capacities and achieve a pre-eminent global standing in manufacturing and export of all types of textiles including technical textiles, jute, silk and wool.”<sup>64</sup> The framework has twelve components and to achieve each component it comes with its own framework on how to achieve the set targets or in other words its own action plan as well as a criteria of measuring its success indicator and targets.

There is a strategic plan with its vision and mission which is in line with that of the policy framework. The strategic plan consisted of the assessment of the current situations of the textile industry in India with the strategy for working on six (6) components;

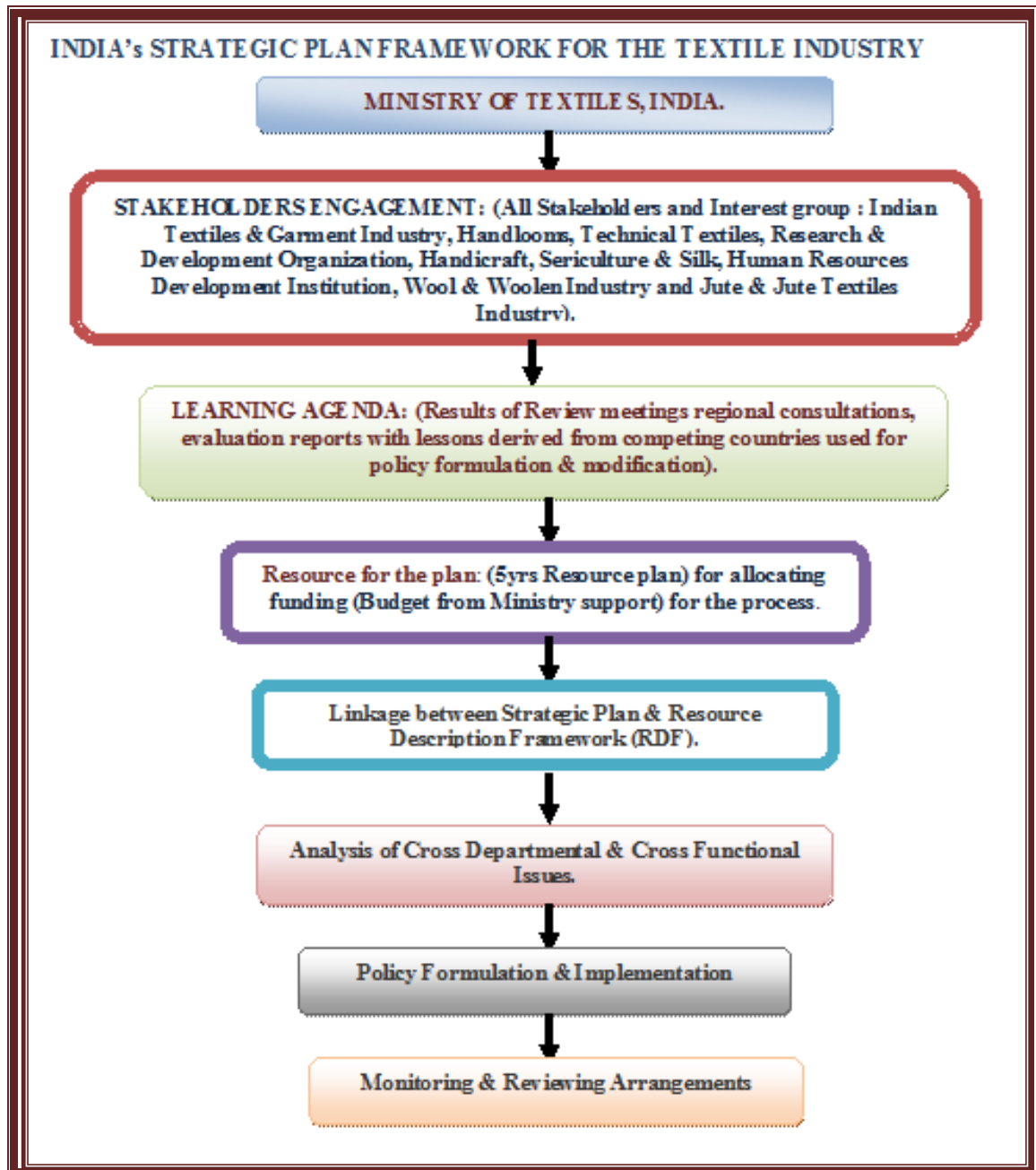
a clear statement of purpose of the strategy and the statement document, a clear statement of the vision, defining long-term outcome goals and results that are required to achieve the vision, SWOT Analysis which looks at the strengths, weakness, opportunities and threats, summary of proposed solutions and policy option and Prioritization of proposed solutions and policy option. The other sections of the strategic plan has the implementation framework and implementation plan, the linkage between strategic plan and Resource Description framework (RDF), another section also consisted of the cross departmental and cross functional issues and the last section which is seven is the monitoring and reviewing arrangements.<sup>65</sup>

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<sup>64</sup> Laurence Henry, Indian’s International Trade Policy (© Tous droits réservés, Ifri, 2008September, 2008), 6.

<sup>65</sup> Strategic Plan, Ministry of Textile, India (February 201-2016).

Below is the implementation framework for the strategic plan for the ministry of textiles in India in their quest of achieving the vision, objectives, and mission of the textile policy in the promotion of their industry to attain a competitive urge on the market.



The Pakistan Textile policy Framework according to the Daily Times of the country reported that the government had allocate an amount of **Rs. 7.5 billion** for the Ministry of Textiles to assist in the implementation of the policy and the Ministry of Textiles also sought an amount

of **Rs. 3 billion** from the Ministry of Finance of which only **1 billion** was issued before the policy was implemented.

According to an interview granted by the Federal Minister for textiles in Pakistan, he stated that the country did not take any extraordinary steps in revamping their textiles industry; however, he acknowledged that their framework is in line with the OECD recommendation. Nonetheless, they adopted a certain strategy during their implementation stages after the cabinet had approved the policy which had numerous incentives which were aimed at the revamping of the Pakistan Textiles Industry. He stated in his letter to the congress explaining how the industry was revamped as

...the active implementation of the Federal Ministry of textile industry in the August 2009 Cabinet approved the textile policy. Textile policy for the implementation of the main incentives, the Ministry of Textiles in the September 1, 2009 issued a notice, [disquard jeans](#), including the 2009 land tax rebate and imposed regulations in 2009, the elevation of the textile part of the price support orders. ...EOBI building regulations is also September 30, 2009 release. ...textile policy, squared, the re-establishment of the R & D support program funds, State Bank of Pakistan governance of the Fund directly. For the implementation of zero tariff imports of textile machinery, textile policy in the 2009-14 year was also announced. ... Incentives and interference of other policy implementation, including infrastructure and technology development, Khan said that the model has been completed. Ministry of Textiles is the process of identification of this area. MEW natural gas and oil to ensure the Department of Natural Resources has continued to the textile part of the

supply of electricity and natural gas. Action has the Ministry of Textiles products in Pakistan and abroad has created an enormous demand.<sup>66</sup>

From the study conducted on the three countries it was evident that no one framework can work for all countries; however, it can follow the framework provided by the OECD which has a common ground that can be much more applicable. It was also evident that the success of the Indian and Pakistan textiles industry cannot be attributed to only government interference however it is also due to the massive involvement with the stakeholders, the private sector, academia, research institutions, raw material farmers, financial sectors and the effective role of the Ministry in implementing the policy.

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<sup>66</sup>360degrees of financial literacy, Pakistan did not adopt extraordinary step to rehabilitate spin property, <http://xc98091192.livejournal.com/11906.html>.

#### 4.4 POLICY ANALYSIS OF GHANA, PAKISTAN AND INDIA TEXTILE POLICIES AND LESSONS LEARNT

POLICY COMPONENT	GHANA WITH CURRENT PROBLEM	PAKISTAN APPROACH	INDIA APPROACH	LESSONS LEARNT AND APPLICABILITY TO GHANA
<p><b>Tariffs Component –</b></p> <p>Creating a level playing field for development of the industry.</p>	<p>According to the World bank Snapshot research on Ghana it was proven that <b>20%</b> of the production cost goes into tariffs. The institutions(<b>CEPS &amp; TAB</b>)in place to check tariffs are</p> <ul style="list-style-type: none"> <li>• not well coordinated and</li> <li>• Less involvement of stakeholders in decision making.</li> </ul>	<p>The Government of Pakistan used the</p> <ul style="list-style-type: none"> <li>• <b>Principle of cascading</b> which was implemented while ensuring adequate protection to the local industry and <b>removing anomalies</b> (inconsistencies).</li> <li>• The Government of Pakistan seeking to address the issue of <b>coordination between MDAs and stakeholders participation in decision making</b> brought all textile production and marketing activity under one umbrella thus the <b>Ministry of Textiles industry was created</b>. Also there is also the <b>Federal Textile Board</b> that advocate for the development of the industry.</li> </ul>	<p>India used</p> <ul style="list-style-type: none"> <li>• The <b>Free Trade</b> (FTA) approach. Although tariffs in India were reduced they were still ranked among the highest in the world.</li> <li>• The Government of India also <b>created the Ministry of Textile Industry</b> to enhance better <b>coordination</b> and <b>decision making</b> of stakeholders. There was also the <b>Technological Mission on Technical Textiles</b> which was to advocate for technological enhancement of the industry.</li> </ul>	<p>Since Ghana’s Textiles Industry is categorized under the Ministry of Trade and Industry it will be prudent if there would be</p> <ul style="list-style-type: none"> <li>• A <b>separate division with the needed expertise and staff</b> to handle the issues of the textiles industry instead of it being included under the SME Division. This will not only <b>promote better coordination</b> but will also assist in getting the <b>involvement of stakeholders</b>.</li> </ul>

<p><b>Export Component</b> - To operate an efficiently managed incentives regime to facilitate increased domestic production and export.</p>	<p>Although the Textiles Industry in Ghana gets some export &amp; import incentives yet they argue that these <b>incentives are not adequate to enhance their competitiveness</b> and increase their exports especially with their counterparts from other countries.</p>	<p>Aside the government of Pakistan assisting the exports with incentives the government also encouraged and</p> <ul style="list-style-type: none"> <li>• promoted <b>Trade Liberalization</b> in the sector that caused the improvement in the quality of the textiles product which attracted the <b>flow of FDI</b> and</li> <li>• Increase in the <b>production of value added and comparative advantage</b> (cotton).</li> <li>• Pakistan also set up the <b>R&amp;D</b> department and also promoted <b>Public-Private Partnership</b> (PPP)</li> <li>• Export subsidies were given to increase the exports.</li> </ul>	<p>The government of India</p> <ul style="list-style-type: none"> <li>• Promoted <b>Export-Led Policy</b> for the Textile Industry using FDI as a powerful tool. They also created different agencies to handle each sector of the industry.</li> <li>• India also used their textile policy to promote production of high quality goods and also promoted <b>Public-Private Partnership</b> (PPP) and the creation of the <b>R&amp;D</b> department of the Ministry of Textiles industry.</li> <li>• Set up training centre for <b>Human Resource Development</b>.</li> </ul>	<p>The Government of Ghana can</p> <ul style="list-style-type: none"> <li>• Collaborate with <b>National Vocational Technical Institute</b> (NVTI) to provide the Human Resource Development.</li> <li>• Ghana should complete the process of formulating the <b>Export Promotion Policy</b> which will be implemented by the Ghana Export Promotion Council (<b>GEPC</b>).</li> <li>• Government of Ghana can also provide some <b>Export Incentives</b> in the form of subsidies to textiles exporters.</li> <li>• Lessons learnt indicates that <b>Trade Liberalization</b> is good however it must come with well coordinated supervision and regulations to curb smuggling and other mal practices that may affect the industry.</li> </ul>
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<p><b>Raw Material Component</b></p> <p>Aimed at improving access and increasing production of the main raw material (Cotton).</p>	<p>The country is <b>not producing enough and production is sometimes not consistent</b> to meet the demand of the industry</p> <p>As at 2000 Ghana imports <b>1,034,978 (Kg)</b> of calico (bleached fabrics) costing <b>\$ 5,247 USD</b> for production in the textiles industry.<sup>67</sup></p>	<p>The Government of Pakistan adapted</p> <ul style="list-style-type: none"> <li>• <b>Latest technology</b> on seed breeding that will aid them produce hybrid seed that will set the tone for high production to meet set target.</li> <li>• The government also adopted <b>price incentive (increased from 15% to 50%)</b><sup>68</sup> structure that increased the competitiveness of the farmers to grow more.</li> <li>• The government also adopted <b>loan schemes</b> with relatively low interest rates to farmers.</li> </ul>	<p>The Government of India</p> <ul style="list-style-type: none"> <li>• Invested a <b>huge amount of funds</b> in the cotton industry.</li> <li>• They introduce a <b>“National Jute Policy in 2005”</b><sup>69</sup> for the production of jute.</li> <li>• India also adopted the use of <b>Genetically Modified Seeds</b> for plantation.</li> <li>• Government also adopted the <b>Loan Scheme</b> for farmers and encouraged the <b>Public-Private Partnership</b> in the sector.</li> </ul>	<p>Government of Ghana must continue with</p> <ul style="list-style-type: none"> <li>• The <b>funding facilities</b> for cotton farmers in collaboration with <b>EDIF and other agencies or donor funds.</b></li> <li>• Introduce <b>Genetically Modified (GMO)</b> seedlings for production of cotton <b>meant for only</b> textiles.</li> <li>• Government should also continue with the <b>subsidies</b> provided to farmer in the form of <b>fertilizers and chemicals.</b></li> </ul>
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<sup>67</sup> Ibid, *The Textiles and Clothing Industry in Ghana* , <http://library.fes.de/pdf-files/iez/03796/10ghana.pdf>.

<sup>68</sup> Info Comm., UNCTAD, *Market: Cotton production*, <http://unctad.org/infocomm/anglais/cotton/market.htm>.

<sup>69</sup> India Law Office, *India textile industry*, [www.indialawoffices.com/pdf/textileindustry.pdf](http://www.indialawoffices.com/pdf/textileindustry.pdf).

<p><b>Machinery/ Plant &amp; Equipment Component</b></p>	<p>The plant, machinery and equipment in the Textiles industry in Ghana are mostly <b>obsolete and aged</b> and as such affect the quality of production.</p> <p>Also, most production lines are <b>closed down</b> due to the high cost of production and the dwindling nature of the industry.</p>	<p>Since the spinning sector take majority of the textiles industry in Pakistan due to its access to raw materials. However the progress made can be attributed to the fact that the Government of Pakistan practiced</p> <ul style="list-style-type: none"> <li>• A <b>Protectionist Fiscal Policy</b> and</li> <li>• The Textiles Policy which was to assist manufacturers with <b>Funding Facilities</b> to upgrade their machineries.</li> <li>• The government through loans from banks and other sources has since 2005-2006 imported machineries worth <b>“US\$ 0.6 billion”</b><sup>70</sup> to upgrade the facility.</li> </ul>	<p>The Indian government through the textiles policy decided to</p> <ul style="list-style-type: none"> <li>• Invest funds to <b>restructure and modernize</b> the machineries and equipments in the industry by Adding on, about <b>3 million</b> new spindles, <b>10 million</b> old spindles required to be scrapped and another <b>15 million</b> spindles to be modernized.</li> <li>• A <b>Development Fund</b> was created to fund Textile Engineering Industry (TEI) activities such as <b>R&amp;D, infrastructure building, export promotion and plans on environmental protection.</b><sup>71</sup></li> </ul>	<p>Government of Ghana should decided to</p> <ul style="list-style-type: none"> <li>• <b>Negotiate</b> with the Banks and other Funding Facilities to assist textiles industries to purchase machineries at a <b>lower and competitive rate.</b></li> <li>• The government in <b>collaboration</b> with the industries can also create a <b>Development fund</b> for industries in Ghana that will assist these industries to restructure their plants to meet the quality of production.</li> </ul>
<p><sup>70</sup>Industrial information Network, Overview of Pakistan Textile Industry <b>Copyright Notice - 2007 - Industrial Information Network</b>  <a href="http://www.iin.com.pk/SectionCategories.aspx?Id=3711&amp;operationId=85&amp;">http://www.iin.com.pk/SectionCategories.aspx?Id=3711&amp;operationId=85&amp;</a>.</p>				

<sup>71</sup>Gaurav Doshi, EzineArticles.com, Indian Textile Machinery Industry, <http://ezinearticles.com/?Indian-Textile-Machinery-Industry&id=366889>.



<p><b>Investment component</b></p> <p>To increase availability of and access to long-term investment finance facilities at competitive prices, especially for targeted productive sectors</p> <p>Also to enhance Ghana's ability to attract investment into industry, particularly the strategic sectors.</p>	<p>Due to the <b>declining nature of the Ghanaian textiles industry (44 industries to 4 industries currently and from an employment rate of 25,000 to 3000 currently is an alarming rate)</b> it has made it difficult to attract investors into the sector.</p> <p><b>Energy Crisis</b> is also another problem facing the industry.</p>	<p>The Government of Pakistan did many things to attract investment into the textile industry, however the most outstanding were</p> <ul style="list-style-type: none"> <li>• Improving the <b>quality of their products and also increase productivity</b> to attract FDI and creating the right environment.</li> <li>• The Ministry of Textiles through the <b>National Textiles Strategy</b> implemented the <b>zero-rating on import of textile machinery and tariff reductions.</b></li> </ul>	<p>The Government of India used the following approach<sup>72</sup></p> <ul style="list-style-type: none"> <li>• The government also <b>gave incentives that attracted investment</b> in the form of Scheme for Integrated Textile Park (SITP) facilitate setting up of textiles parks with world class infrastructure facilities.</li> <li>• Further, <b>100 per cent FDI</b> is allowed in the textile sector under the automatic route.</li> <li>• Increased their raw material base.</li> </ul>	<p>The ministry of trade and industry should continue in their quest of</p> <ul style="list-style-type: none"> <li>• Establishing an <b>Industrial Park</b> and the industrial zoning this will go a long way of <b>reducing and finding a lasting solution to the energy crisis.</b></li> <li>• Increase the <b>sources of funding</b> for investors.</li> <li>• Ghana should take advantage of the <b>Trade Liberalization</b> and improve their <b>competitiveness</b> and also protect their borders with the needed regulation to prevent <b>smuggling</b> that will <b>deter investors</b> away.</li> </ul>
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<sup>72</sup> A Brief Report Textile Industry in India, January, 2010, [http://www.cci.in/pdf/surveys\\_reports/indian-textile-industry.pdf](http://www.cci.in/pdf/surveys_reports/indian-textile-industry.pdf).

		<ul style="list-style-type: none"> <li>• The Ministry also advocated for the <b>reduction in the Cost of Doing Business</b> in Pakistan - according to doingbusiness.org Pakistan has reduced its business procedures and is currently ranked <b>86 out of 183 countries</b> (2011est).</li> <li>• Also <b>reducing the Energy Crisis</b> which the industry faced.</li> <li>• Pakistan also signed the <b>FTA</b> approach to also get in investors into the country. As well as encouraging the <b>private sectors</b> to invest in the country</li> <li>• Technology Upgradation Fund Schemes (TUFS). Where government will contribute 50% of new investment in plants and machinery of 5% but for small investments contribute 20% of capital cost as grant.</li> </ul>	<p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>• The industry attracted <b>FDI</b> amounting <b>US\$ 861.47 million</b> between April 2000 and September 2010.</li> <li>• India Textile Industry has also attained the growth through government interventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Government and the Ministry of Trade and industry should <b>assist to project the image</b> of the Ghanaian Textiles industry to attract FDI.</li> <li>• Develop a policy aimed at promoting the textile industry (<b>Textile Policy</b>).</li> </ul>
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<p><b>Academic and industry linkage component</b></p>	<p>There is a <b>weak linkage</b> between industry and academia in Ghana. In recent times there has been <b>less coordination</b> between the industry and academia in the textiles sector.</p> <p>Therefore students being train in the textiles program most often than not, <b>the students are mostly taught theory and less practical.</b></p>	<p>The Government of Pakistan invested in</p> <ul style="list-style-type: none"> <li>• Facilitating people in the academia to <b>help develop technologies</b> for the industry especially in the machinery sector to enhance their productivity.</li> <li>• To enhance and promote knowledge sharing in the industry and academia at the <b>Higher Education Commission of Pakistan</b> was developed to <b>create the awareness as well as promote interaction</b> between industry and academia.</li> <li>• The <b>National Textiles University was also established in 1954</b> to develop a <b>world class</b> textile industry in the economy and to also <b>develop Human capital</b> to ensure a competitive industry and a sustainable economic development</li> </ul>	<p>The Government of India did the following</p> <ul style="list-style-type: none"> <li>• Set up a number of <b>academic and technology institutions</b> to come up with R&amp;D and new strategies to develop the Textiles Industry.</li> <li>• Government also <b>allocated budget</b> for scientific and technology (S&amp;T) activity under the R&amp;D fund. The money has also increased from <b>USD 18 Million in 1950-51 to USD 2800 Million in 2000-01.</b></li> <li>• Government also contributed in science and technology policies.</li> </ul>	<p>Lessons for Ghana</p> <ul style="list-style-type: none"> <li>• Government through the Ministry of Education should <b>restructure the syllabus</b> so that training obtained from the academic sector will be able to meet the demand of the industry.</li> <li>• Government should also <b>allocate some budget</b> to the Department of Textiles in Kwame Nkrumah University of Science and Technology for <b>upgrade, R&amp;D and S&amp;T</b> activities.</li> <li>• A <b>platform</b> should be created where there would be an <b>interaction between academia and industry.</b></li> </ul>
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		<ul style="list-style-type: none"> <li>• <b>Exchange programs</b> where the university lecturer goes to the industry to learn and vice versa.</li> </ul>	<ul style="list-style-type: none"> <li>• Government also contributed to the <b>establishment of universities in the country to full equip human capital and development</b> for the industry.</li> <li>• Government is also putting plans in place to convert one of its prestigious institutes into an <b>established a National Textiles University by 2020.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Government should continue to encourage <b>internship programs and graduates</b> who have been employed in industry to <b>track their performance and development.</b></li> <li>• Academia should also encourage <b>exchange of personnel activities regularly</b> – lecturers to industry and vice versa.</li> </ul>
<b>Utility price component</b>	<p>Electricity and water supplies is a pre-requisite for accelerated industrial development.</p> <p>However this is one of the main challenges facing the textiles industry in Ghana. <b>11%</b> of textiles production cost goes into water and electricity bills.</p>	<p>Due to the load-shedding in Pakistan the textiles industry reduced its production by <b>30 percent.</b></p> <ul style="list-style-type: none"> <li>• The government introduced the <b>National Textiles Policy</b> to address the problems facing the industry.</li> </ul>	<p>The Government of India put in place</p> <ul style="list-style-type: none"> <li>• <b>National Textile Policy</b> to address issues pertaining to the textile industry.</li> </ul>	<p>The Government of Ghana can</p> <ul style="list-style-type: none"> <li>• <b>Subsidies</b> in the form of some <b>tax exemptions</b> for manufacturers who imports machineries and reduce some cost of production.</li> </ul>

	<p>The problem is that the prices are not competitive but rather <b>very high production cost</b> is borne by the manufacturers.</p>	<ul style="list-style-type: none"> <li>• The government announced the plans to develop a generating capability of <b>8,800 megawatts(MW) of nuclear energy by 2020</b>, compared to the current output of less than 450 (MW).</li> <li>• Government in conjunction with the <b>German funding of eight</b> ongoing and <b>new hydropower projects</b>.</li> <li>• There are plans of expanding the use of <b>solar power</b>.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• The government invested in <b>R&amp;D</b> schemes to find ways of resolving the problems of the textiles industry.</li> <li>• Government of India supported the textiles industry through <b>subsidies to support their high cost of production</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• The action plan in the industrial policy on the electricity supply is to provide electricity and water to industry at a <b>competitive price</b>.</li> <li>• The government should also continue its plans of <b>encouraging a conservation program</b> which will draw up and implement energy and water efficiency.</li> </ul>
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## **CHAPTER 5**

### **CONCLUSION AND POLICY RECOMMENDATION**

This chapter of the study will cover conclusion and policy recommendation to the government of Ghana based on lessons learnt and derived from the study of the Pakistan and the India textiles policy and the recommendation made by the OECD in terms of the structure of the policy framework, especially in developing countries such as Ghana. Policy recommendation is defined as a “simply written policy advice prepared for some group that has the authority to make decisions, whether that is a cabinet, council, committee or other body.”<sup>73</sup>

#### **5.1 POLICY RECOMMENDATION**

Based on the policies measures taken and implemented by both India and Pakistan in their pursuit of revamping their textiles industry, it is prudent that Ghana learns from their experiences and applies the policies (strategies) that are applicable in the country. From the studies and the analysis conducted so far, the very first recommendation that the Government of Ghana can put in place is to have a **Textiles Division** separated from the SME and Technology Division of the Ministry of Trade and Industry (MOTI). The main purpose of the division is to serve as an umbrella for the industry where problems facing the industry will be properly addressed. The division should also be equipped with the human capacity, thus people, with textiles background and the needed technical skills and technology as well as a well-structured monitoring and evaluation team within the same division.

Secondly, the ministry of trade and industry acting on behalf of the government of Ghana

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<sup>73</sup> Susan Doyle, ENGL 302-Writing for Government, © 2002-2010, <http://web.uvic.ca/~sdoyle/E302/Notes/Policy%20Recommendation.html>.

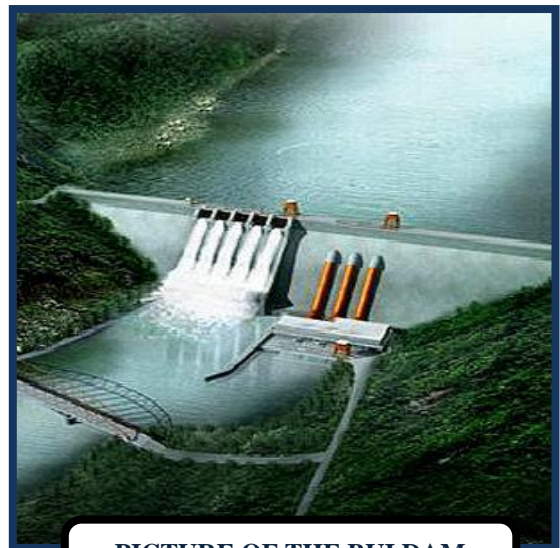
must put in place structures that will **improve the industries access to raw materials** which is one of their main problems. However, based on the experiences of both Pakistan and India the Ministry in connection with the research institute and academia can modify some of the cotton seed (GMO – Genetically Modified Organisms ) which will also enable farmers to plant a variety of cotton plants and also yield more harvest to meet the demand of the industry. Again, the Ministry is already undertaking the Cotton Support Program which is aimed at providing the farmers with some subsidies in the form of fertilizers and chemicals to the cotton farmers in the northern part of the country where the cotton farms are found. However, in addition to that the Ministry can negotiate with some financial institutions in the country to give loans to cotton farmers at a lower rate than the normal market rate however to encourage the institutions and Banks to undertake this initiative the Government of Ghana must also give these banks some tax incentives or exemptions to also make the process much more competitive between the banks and institution.

Thirdly, the government should also make the sector **more attractive to investors** through the tax incentives and exemptions provided in the case of Pakistan and India which did not only attracted investments into the manufacturing aspect alone but also to the production of the raw materials. The government can also attract investors if there will be a source of funding for investors at a relatively better rates. In addition the government can also help project Made-in-Ghana products to also improve investment by participating in international fairs and others. The Ministry can also negotiate with the tax authorities in this case the Ghana Customs and Preventive Service to put a zero-rating on the import of textiles machinery by investors. This will go a long way to also solve the problems associated to the use of obsolete and old machinery in our productions that affect our end product and also

contribute to the low competitiveness of our textiles products.

Fourthly, there must be an increase in **Public-Private Partnership** within the industry. This can be done by the government encouraging a joint partnership or collaboration with the private business people to undertake a project that will improve and promote the textiles industry. However, to make this work specific task must be assigned to each partner so that there would not be any conflicts or misunderstanding between the partners. Also the Public-Private Partners can also invest or fund R&D activities that will unearth new technologies and strategies that will make the Ghanaian Textiles Industry more competitive. Again to achieve very good results from R& D research the institute must be refurbished and properly equipped, especially in terms of machinery and technical skills. In addition there must be a **better linkage between the industry and academia** where professors and students get the opportunity to work in research institutes and industries to have a better idea on the use of current technology and vice versa where the industry once in a while must be have refresher courses to also upgrade their technical skills.

In addition, the government must work with the utility service providers in order to **make access to energy and water** to industries much easier and less costly. The government can achieve this by providing and assisting the industries with subsidies in the form of tax exemptions. Also the Government of Ghana can also access some funds to complete the construction



**PICTURE OF THE BUI DAM  
AFTER CONSTRUCTION**

“400 megawatt hydroelectric project at the Bui Gorge at the southern end of Bui National



Park in Ghana.”<sup>74</sup> This will go along way of over depending on the Akosombo Dam for energy and water for production. The dam is located on the border of the Northern and Brong- Ahafo regions of Ghana.

Again, industries must be educated and encouraged to conserve energy and water by recycling their waste

The government through the Ministry of Trade and Industry should empower the Ghana Export Promotion Council (GEPC) as well as provide access to loans with a relatively cheaper rate to textiles industries and textiles exporters to encourage them **export** more products to the international market since export brings a country the gains of trade. The government can also give some tax incentives as a means of motivation to the exporters to export more. Also there can be an award scheme in place that will improve the competitiveness of the exporters. Another recommendation is that Government of Ghana should put in place strict regulations that will check and curb the illegalities such as smuggling and the like that causes harm to our textiles industries and see to it that they are well implemented to the latter in order to yield the full benefits of Trade liberalization in Ghana.

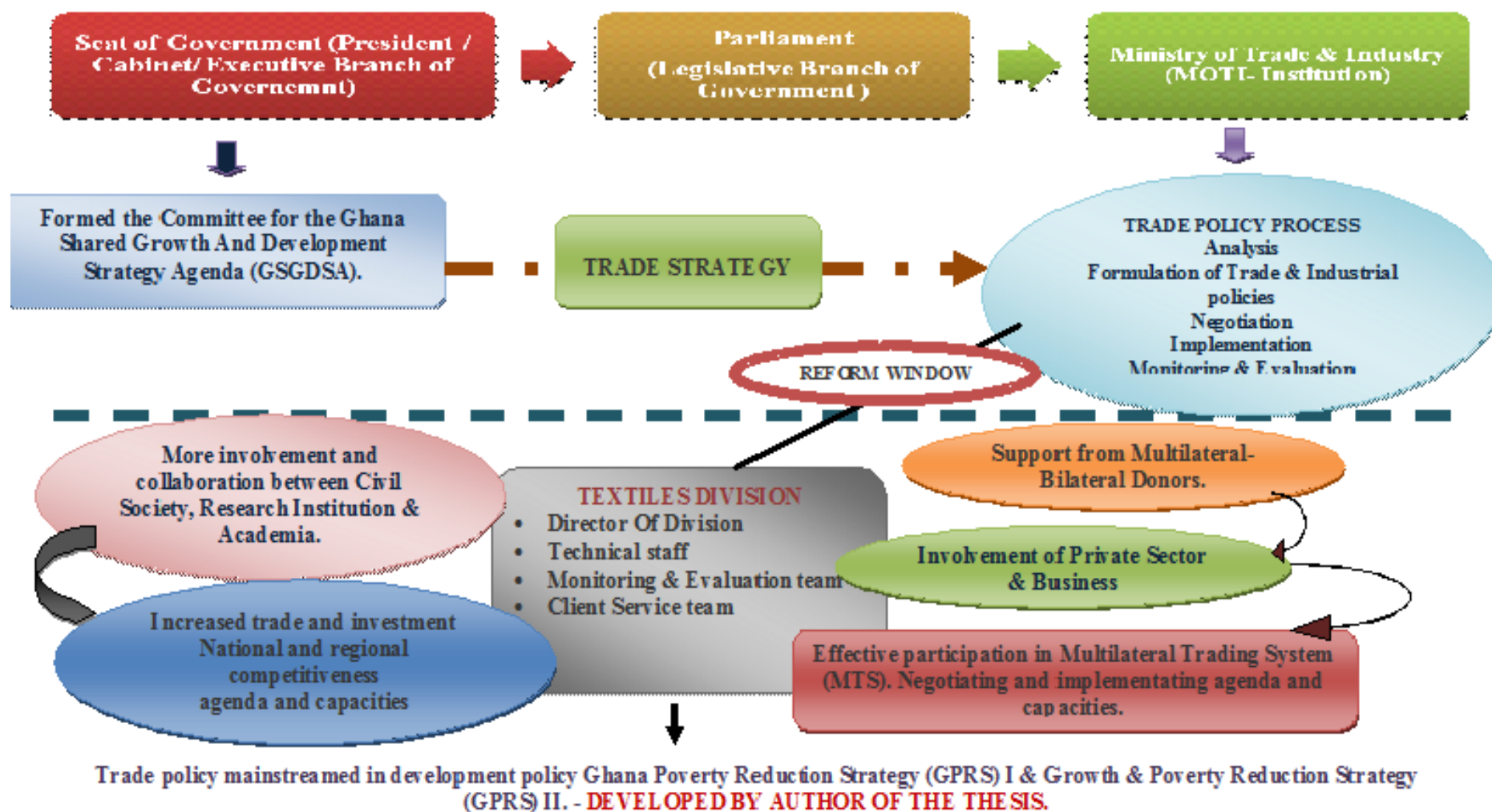
In the main, the **policy framework** for the implementation of the trade and industrial policies that are aimed at revamping industries in the country must be restructured in order to meet the set targets and goals of the policies. It is therefore recommended that the Ministry of Trade and Industry restructure the frame work to suit that of the recommendation made by the OECD. This will make the policy process and implementation simpler and will be able to achieve set goals and targets. Therefore from lessons learnt from the strategy adapted by both

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<sup>74</sup>Wikipedia Free Encyclopedia, Bui Dam, [http://En.Wikipedia.Org/Wiki/Bui\\_Dam](http://En.Wikipedia.Org/Wiki/Bui_Dam).

Pakistan and India they involved the academia, all stakeholders including unions, research Institutions, private businesses and gaining support from the Multilateral-Bilateral donors for supporting funds aside the budget allocated to the Ministry. From this study conducted it also became wise that due to the bureaucratic nature of the Ghanaian political system it will be prudent that there is a reform window within the framework that will correct the loopholes in the policy without it having to go through the entire policy process again in order to avoid further delays from cabinet and parliament however any reforms or corrections made must be reported to the cabinet and the parliament. Below is the new framework developed from the study conducted by the author of the thesis.

5.1 MODIFIED FRAMEWORK FOR TRADE POLICY BASED ON LESSONS FROM THE OECD, PAKISTAN & INDIA



## 5.2 CONCLUSION

This study was aimed at establishing whether the Ghana Trade and Industrial policies can help promote the textile industry in the country; it was also aimed at establishing the role of the government and private sector in the promotion of the industry. It also aimed at establishing an effective model for the implementation of the policies as a tool for its success. Based on these goals the study conducted revealed that a country and for that matter Ghana can succeed in the promotion of its textiles industry through the trade and industrial policy only if that is its area of comparative advantage.

It also based on the study conducted by benchmarking Pakistan and India it also revealed that the framework or model for policy process and its implementation is very significant in attaining the set goals and objective of a policy. The study also proved that having a solid government and the private sector involvement in the textiles industry will lead to the growth and sustainability of the industry.

From this study, it has also become evident that the perception of trade liberalization being the cause of the failure of the Ghana Textile Industry is false; however, the dwindling state of the industry should rather be attributed to the inability of the law enforcement agencies to enforce the regulations at the borders of the country is the major cause of the dwindling state of the industry. The inability of the Ministry to address the problems pertaining to the textiles industry is linked to the fact that the ministry does not have a sector wise division that handles problems pertaining to a particular sector therefore industry problems are addressed more on a broader scope rather than sector specific.

Finally, the study also indicated the need for Ghana to have a textiles division within the Ministry of Trade and Industry that will play the role of a big umbrella that will have a direct link with the industry and address their concerns more appropriately. There was also the need for a more appropriate framework that will have a reform window between the Ministry (during the policy process) and the textiles division that will aim at correcting the loopholes with a policy without having to go through the bureaucratic and political approval of the policy by cabinet and the parliament.

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