



## REFRAMING KENYA'S TEXTILE COMPETITIVENESS



Kenya's textile sector has the potential to become a global success story — but only if we move beyond tariff arbitrage thinking and focus on building integrated, end-to-end capabilities.

Kenya's future competitiveness will not be shaped by incentives or isolated reforms — it will be built by bold, long-term investment across the value chain.

History favours those who build.

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There is a growing misconception that Kenya's relatively lower import tariff of 10%—compared to higher tariffs in competitor countries such as India (27%), China (54%), and Bangladesh (37%)—grants it a significant edge in the global textile and apparel trade. However, this narrow view fails to account for the broader ecosystem that underpins competitive textile sectors in these countries. **They dominate global markets not because of tariff arbitrage, but due to their investments in building end-to-end, integrated textile value chains.**

Kenya is a blessed nation—rich in diversity, climate, and talent. It holds numerous natural and economic advantages over other countries, particularly in agriculture-based value chains. Its proximity to key global markets, fertile land, and a young, dynamic population offer Kenya a unique launchpad for industrialization. It is also a vibrant democracy — led by a democratically elected, reform-minded leader committed to driving economic transformation. Textile may be more complex than some of these value chains, but Kenya's potential is undeniable. In fact, it possesses a distinct **Unique Geographical Value Proposition (uGVP)** that, if properly leveraged, can transform its global competitiveness in textiles and beyond.

Some of the perspectives in this paper are also informed by my first-hand experience in the fashion and garments trade during the early part of my career (1998–2006), managing the Europe–India trade lane and working closely with some of the world's leading European apparel brands — including Kiabi, Esprit, Galeries Lafayette, Hugo Boss, Diesel, Adidas, Marks & Spencer, H&M, Escada, Ripples, Mondial, Ted Baker, among others.

This paper outlines the multi-dimensional strengths that have enabled these countries to lead in textile exports, with a detailed case study of India to provide focused insight. We argue that Kenya must move beyond tariff-centered thinking and instead develop a comprehensive strategy to build its textile ecosystem—from cotton seed development to efficient export logistics.

**1. The Fallacy of Tariff Advantage** While tariff concessions offer short-term relief, they do not address underlying structural inefficiencies. For instance:

- Kenya's 10% tariff on garment exports to the U.S. (post-AGOA changes) is lower than India's 27%, China's 54%, and Bangladesh's 37%.
- However, manufacturers in these countries still outcompete Kenyan firms due to intrinsic cost advantages across the value chain.
- A lower tariff cannot compensate for the absence of a fully integrated cotton-to-garment ecosystem, local raw material availability, or efficient infrastructure — all of which fundamentally drive cost and speed to market.



- Global competitiveness in textiles today is **shaped less by tariff relief and more by ecosystem efficiency**— including skilled workforce, reliable utilities, modern logistics, and proximity to large consumer markets.
- No textile industry can thrive if its own domestic market is surrendered to imported second-hand clothes. India, China, and Bangladesh built cost competitiveness by producing affordable garments for their own people — creating scale, efficiency, and factory viability. For Kenya, reducing Mitumba dumping while nurturing a mass-market for low-cost, locally manufactured clothing is not optional — it is essential.

## 2. India: A Case Study in Value Chain Integration

### a. Cotton Production & Raw Material Access

- India is the world's largest cotton producer.
- Cost of cotton seed (Bt cotton): ~USD 15–20/kg in India vs. Kenya's higher reliance on imported seed.
- State support for seed R&D, subsidies, and extension services ensure consistent quality and pricing.

### b. Yarn and Fabric Manufacturing

- India has over 1,400 spinning mills.
- Local spinning, dyeing, and weaving clusters reduce dependency on imports.

### c. Comparative Fabric Cost Analysis: Kenya vs. India (Both in EPZs)

Cost Component	India (EPZ)	Kenya (EPZ)
Raw fabric price (domestic)	\$1.10–\$1.40/meter	Imported at \$1.30–\$1.60/meter
Shipping & freight	N/A (domestic)	\$0.20–\$0.40/meter (Asia to Mombasa)
Port & handling	\$0.02–\$0.05/meter	\$0.05–\$0.10/meter
Duties & VAT	0% (EPZ exemption)	0% (EPZ exemption)
<b>Total Landed Cost</b>	<b>\$1.10–\$1.45/meter</b>	<b>\$1.55–\$2.10/meter</b>

### d. Labor and Productivity Comparison

Metric	India (EPZ)	Kenya (EPZ)
Garments/operator/hour	25–40	10–20
Labor cost/hour (avg)	\$0.70–\$1.00	\$1.20–\$1.50
Training infrastructure	Extensive (ATDC, NIFT)	Limited technical capacity

### e. Electricity and Utilities

Factor	India	Kenya



Avg. electricity cost/kWh	\$0.08–\$0.10	\$0.18–\$0.25
Reliability	High (esp. in textile parks)	Moderate to low
Alternative energy adoption	Widespread solar initiatives	Minimal

#### **f. Transportation & Freight Capacity**

Metric	India	Kenya
Export port infrastructure	Inland & coastal terminals	Single major port (Mombasa)
Avg. internal freight cost	\$0.03–\$0.06 per ton-km	\$0.08–\$0.12 per ton-km
Logistics turnaround time	24–72 hours (inland to port)	5–7 days (inland to port)

*Disclaimer: The figures presented are indicative and may vary across sources or over time. However, the purpose of this analysis is to emphasize structural comparisons and directional insights rather than absolute precision.*

#### **g. Capital and Financing**

- Export credit schemes, subsidized interest rates (~7–9%), PLI schemes, TUFS.
- Kenya: Commercial rates above 15% limited credit access for SME textile units.

#### **h. Clustering and Industrial Ecosystems**

- India's textile clusters create economies of scale.
- Full backward and forward integration within industrial zones.

#### **i. Design Ecosystems and Global Buyer Integration**

- India is home to thousands of independent and corporate-backed design studios across key textile regions, providing trend-aligned collections and product innovation.
- Leading manufacturers have in-house R&D labs and fashion forecasting capabilities.
- Over 300 global brands, including H&M, Inditex, Target, and Levi's, operate regional buying offices in India—managing sourcing, QA, compliance, and even design.
- This deep buyer integration enables India to shift from CMT (cut-make-trim) to FOB and ODM (original design manufacturing) models, with end-to-end control.

#### **j. Domestic Market Scale — The Invisible Competitive Edge of India's Textile Industry**

While India's global textile export dominance is often attributed to its integrated value chains, one of its most powerful and understated advantages lies in its massive domestic textile and apparel market — which provides scale, stability, and cost competitiveness for manufacturers. ***Mitumba style dumping is not permitted!***

- **Mass Production for Local Consumption Drives Down Costs**



- Even for low-income consumers, mass-produced basic garments (t-shirts, innerwear, daily wear) are available at price points *lower than the cost of imported second-hand clothes* (Mitumba equivalent).
- This continuous local demand enables factories to run at full capacity year-round — reducing unit production costs and increasing factory efficiency.

- **Full Access to Global Brands for the Indian Middle Class**
  - India's burgeoning middle class (450-500 million people) has access to *every major global apparel brand* — from Zara, H&M, Levi's, Adidas to Uniqlo — all with local manufacturing supply chains.
  - These brands source a significant portion of their products locally — creating an ecosystem where domestic consumption fuels continuous investment in quality, design, and innovation.

### **3. The Hidden Cost Burden on Kenyan EPZ Manufacturers** Despite duty-free input access in EPZs, Kenyan manufacturers face:

- Higher raw material import costs.
- Longer lead times.
- Higher financing and electricity costs.
- Limited value addition capacity.

## **What Kenya Must Do: A Holistic Roadmap for Textile Sector Growth**

To become a truly competitive global textile exporter, Kenya must adopt an integrated value-chain strategy. The focus must shift from incentives and duty relief to long-term competitiveness driven by local production, policy coherence, and infrastructure.

### **1. Develop a Full Cotton-to-Garment Ecosystem**

- Invest in high-yield and climate-resilient cotton seed development.
- Promote contract farming and create regional cotton clusters with offtakes.
- Establish ginneries, spinning, and weaving mills to localize fabric production.
- Make kenyan garments competitive.

### **2. Build Integrated Modern Textile Parks**

- Develop integrated textile parks wherein the cost of production is significantly lowered through shared infrastructure, utilities, and services.
- Locate these parks strategically along the proposed Nairobi-Mombasa Expressway (USAHIHI Corridor) to leverage logistics efficiency and connectivity.
- Co-locate spinning, dyeing, sewing, and finishing units to reduce logistics costs.
- Offer innovative incentives such as Production Linked Incentives (PLI) and green energy subsidies to attract investors.

### **3. Catalyze Human Capital**



- Set up National Textile Training Institutes in partnership with global institutions.
- Incorporate industrial engineering, lean practices, and digital manufacturing.
- Create a vocational certification framework aligned with **global** buyer standards.

#### 4. Infrastructure and Logistics Reform

- Modernize Mombasa and establish an inland dry port near industrial hubs.
- Invest in low-cost green energy to reduce utility costs.
- Introduce digital freight and customs clearance systems.
- Consider lower fuel levies related to textile exports, thus reducing overall landed cost and making Kenyan products competitive.

#### 5. Smart Financing and Policy Support

- Launch a Textile Development Fund offering low-interest loans and guarantees.
- Establish a Textile Sector Guarantee Fund to enable banks to finance SMEs and manufacturers with reduced risk exposure.
- Introduce a Short-Term Order Financing Scheme to support manufacturers in fulfilling export orders efficiently without working capital constraints.
- Create de-risking instruments for SMEs and diaspora investments.
- Develop a “National Textile Policy” focused on export competitiveness.

#### 6. Strategic Positioning & Niche Specialization

- Explore cultivation and industrial processing of new-age high value sustainable fibres such as hemp, nettle fibre, and ramie.
- Support R&D, farmer training, and early-stage investment in these crops.
- Position Kenya as a nearshoring destination for EU and U.S. brands seeking agility and ethical sourcing.
- Invest in ESG compliance, digital traceability, and circular economy practices.
- Engage in bilateral trade diplomacy to secure long-term preferential access post-AGOA.

Comparative Table: Yield vs Cotton

Fiber	Yield per Acre (Dry Fiber)	Water Usage	Pest Resistance	Suitability for Kenya
Cotton	~500–700 kg	High	Low	Traditional
Hemp	1,500–2,500 kg	Medium	High	Very High
Ramie	3,000–5,000 kg	Medium	Medium	High
Nettle	1,200–1,500 kg	Low	High	Medium-High

#### 7. Domestic Market Development

- From Mitumba to Made in Kenya" — Rebalancing the Market
- Incentivize Local Manufacturing for Mass Market
- Reinvest Mitumba Import Duties into Textile Industrialization Fund
- 5 to 10 years Phase-out Plan for Mitumba Imports - managed through a well-sequenced roadmap, ensuring affordable, locally manufactured alternatives.

#### 8. Attracting Global Buying Houses — Closer Buyer-Supplier Integration



- Incentivize global buying houses to set up local sourcing, design, and quality control offices in Kenya.
- Position Kenya as a transparent, ESG-compliant sourcing hub leveraging green energy, ethical labor practices, digital traceability — critical for global brands

## 9. Product Diversification — Beyond Garments

- Kenya must diversify its textile exports beyond garments into soft furnishings, home textiles, rugs, handicrafts, and sustainable lifestyle products — leveraging its artisan and creative industries



**Tariffs alone do not drive competitiveness.** Kenya's journey to becoming a globally competitive textile powerhouse will not be shaped by tariff advantages or isolated incentives. It will be defined by the **depth of its ecosystem**, the vibrancy of its domestic market, and the boldness of its long-term investments — across every link of the value chain, from BT seeds to fashion house shelves.

Kenya must pivot from policy optics to real sector execution — building capabilities that drive scale, cost-efficiency, innovation, and resilience.

History favours those who build. The future will belong to nations that create scale, self-reliance, and sustainable ecosystems — Kenya can and must be one of them.

**Forward-Looking Disclaimer:** Certain sections of this document may contain forward-looking statements that involve risks and uncertainties. Actual outcomes may differ materially depending on future policy choices, global market shifts, and local execution.



# Asante Sana

## Thank You

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