



**STRATEGIC ALLIANCING POTENTIALS BETWEEN UK TEXTILE INDUSTRY
AND INDIGENOUS AFRICAN TEXTILE INDUSTRY: AN ANALYSIS OF POST-
BREXIT IMPACT**

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ABSTRACT

This paper focuses on the impact of Brexit on the strategic alliancing potentials between UK textile industry and indigenous African textile industry. In order to achieve this, four objectives were outlined. First, UK-African partnership in the Pre-Brexit Era was examined where it was observed that strong ties existed between the UK and the African region especially with trade and investment links before Brexit. Secondly, Brexit's impact on indigenous African textile industries was discussed. Although, the full impact of Brexit on African indigenous textile industries is yet to be seen, the impact would be positive as well as negative for both parties. Thirdly, the alliancing potentials between the UK and African textile industries Post-Brexit were highlighted and it was seen that the promises which a strategic alliance between these industries holds are glaring as both regions will fully enjoy the bright side of the alliance as explained in this paper. Finally, this paper did not overlook the obstacles that could hamper the potentials for strategic alliancing between the UK and African textile industries. Despite the fact that textile alliances are more likely to create competitive advantage, achieve strategic competitiveness, earn above-average returns and improve overall performance, some elements such as selfish interest, power imbalance, insecurity, disparity in technology application, among others pose as issues limiting the formation of such strategic alliances. However, this paper concludes that despite the factors militating against this strategic alliancing potential between the UK

and African textile industries Post-Brexit, there are enough reasons to expect a more positive outcome with some additional opportunities such as an opportunity for 'pro-developmental stance.

Keywords: Strategic Alliance, UK-Africa, Textile Industry, Brexit

INTRODUCTION

Africa, as a continent, is rising fast and this is very glaring from the World Bank Statistics predicting the population of Africa to reach an estimated 2.8billion by 2060 (World Bank Report, 2015). In clear terms of economics, the growth in the GDP of Africa has crossed the world average, at about 3.4 percent in 2019 and a predicted 4.1 percent in 2021 with the textile industry accounting for a large portion of the percentage. This goes to show that the textile industry is indeed a driver of growth globally. For example, in Nigeria, the textile, apparel and footwear industry contributed about N1.8billion in 2015 (National Bureau of Statistics Report, 2019). This indicates that the true economic and industrial potential of Africa is yet to be fully explored on the world stage. It is clear, however, that the current framework for strategic alliancing between UK and Africa is adequate for the purpose of unleashing this potential.

A business or an industry forming an alliance with local or international industries is an essential step to achieving success in that line of business or industry. The nature and type of alliance formed will determine to a large extent the expansion scale and performance of such industry and serves as a determinant for growth or market opportunities. As such, alliances are crucial especially in textile industries. Strategic alliances are the relatively enduring inter-firm co-operative arrangements, involving flows and linkages that utilize resources and, or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm (Mathiasen, 1999). Increasingly, strategic alliances are used by firms and industries to fill gaps in their own capabilities and to grow in new markets and regions (Dadashian, Shakibfar & Fazel-Zarandi, 2007). In short, because of increased global competition, textile companies are increasingly using strategic partnership to maintain competitiveness.

Strategic alliance between two or more textile companies / industries is vital to succeed in today's client-driven and networked economy. These alliances are increasingly gaining attention for textile companies to achieve fast and economic growth in today's globalization (Dadashian, Shakibfar & Fazel-Zarandi, 2007). The essence of strategic alliances in the textile sector cannot be overemphasized. One major aspect can be reflected in the desires of two businesses to achieve their independent business objectives cooperatively. Others include easier access to target markets, overcoming political obstacles, acquiring the synergy, gaining competitive market edge among others.

Inasmuch Africa is quickly taking on a greater role in the global textile value chain; joining forces with the international textile industries will positively influence the pace (African Development Bank, 2018). Given the importance of alliancing in the textile industry for the record of high success rate, Africa nations engaging in partnership with the textile industries of developed nations cannot be undermined. An example of such nation that has excelled in the textile business is the United Kingdom (UK). The UK's textile industry is one to be reckoned with as it is a leader in the world of textiles with top-notch excellence in the production of world-renowned apparel fabrics and high performance ratings when compared with other textile industries of the world (UK Fashion and Textile Association, 2020).

It has been recorded overtime that due to the high performance ratings of the UK's textile industry, the textile industries of other nations engaging in an alliance with it has always yielded positive results. It is worthy to note here that during this period, the UK was still a part of the European Union (EU) until the movement for Brexit¹ in November 2019. This movement, no doubt, will alter "business as usual". While some scholars had positive things to say about the impact of Brexit on UK's international relations with other nations of the world especially in terms of business, some scholars had opined that the impact is double-edged. Hence, the essence of this paper is to examine the strategic alliancing potentials between the UK textile industry and indigenous African textile industry in the pre-Brexit

¹ Brexit, a term referring to the isolation of the United Kingdom (UK) from European Union (EU) carried out at midnight of January 31, 2020.

and post-Brexit periods while highlighting the impact posed by Brexit on the alliance between these industries.

Aims / Objectives of the Paper

The main objective of this article is to examine the post-Brexit impact on the strategic alliancing potentials between the UK Textile Industry and Indigenous African Textile Industry. In order to achieve this, the following specific objectives are used to guide this study:

- (i) To examine the UK-African partnership in the pre-Brexit Era;
- (ii) To identify the impact of Brexit on indigenous African textile industries;
- (iii) To explore the alliancing potentials between the UK and indigenous African textile industries in the post-Brexit period; and
- (iv) To investigate the barriers to alliancing potentials between the UK and African textile industries.

UK-African Partnership in the Pre-Brexit Era

In order to get a clearer glimpse on the partnership that has existed between the UK (EU) and Africa, it is necessary to give a detailed analysis on the historical trade links between them and how it metamorphosed till Brexit. A formal relationship between the EU and Africa can be traced right back to when the Treaty of Rome was signed in 1957. It included provisions for the 'association' of African colonies, which meant that in effect the founding EU member states were able to enjoy a free trade agreement with their colonies (Van-Reisen, 2007).

As the process of decolonisation spread across the continent, this relationship was renegotiated, resulting in the two Yaoundé Conventions of 1963 and 1969, which effectively ensured a continuation of these preferential trade arrangements. Soon after the UK joined the EU, the trade relationship with what were by now the African, Caribbean and Pacific (ACP) group of states changed significantly. During this period, trade and investment links of Europe - and the UK in particular - has maintained strong economic ties with the African region. However, the intensity of those links has declined in recent years because of the growing importance

of South–South trade links — both intra-African trade and trade with emerging markets (particularly China). The EU-27 (i.e., the European Union minus UK), as a destination for East African Country (EAC) exports, has fallen from around 35% of exports in 2000 to just 20% in 2015. The UK has declined as a market for EAC exporters at an even faster pace - going from 14.6 to just 3.4% over the same period. The nominal value of EAC trade towards the UK has also been falling — peaking at 766 million USD in 2008 and declining to just 447 million USD in 2015 (Office for National Statistics, 2016).

In the analytical reports by Mendez-Parra, te Velde and Winters (2016) on the ranks that the UK now bears with regards to trade ties with African countries, it is observed that it has dwindled greatly when measured before Brexit. For example, Kenya, which had always retained the strongest ties with the UK, principally through its exports of cut flowers, fresh fruit and vegetables has experienced slack in such ties. This can be compared before now, for instance, in 2015, the UK accounted for 6% of Kenyan’s exports and 3% of imports (International Monetary Fund [IMF], 2017). Striking is the fact that Kenya alone makes up around half (1.3 billion USD in 2015) the total of EAC trade towards the EU-28.

The previous paragraphs of this section have given a glimpse, with statistics, how trade ties between the UK and Africa have been before the Brexit Movement. Although, there is a gap in literature regarding alliances that have been formed in the past between the UK and Africa as per the textiles industries, there appears to be a general consensus that British colonial incursion into Africa was primarily motivated by the quest for raw materials for imperial manufacturers. The British textile firms were so obsessed with procuring cotton from Africa that they had to form close ties with Africa (Onyeiwu, 2000). As modernization and civilization crept into the textile world, the ties between the UK and Africa grew stronger especially with innovations in the traditionally-inspired fabrics made in Africa making its wave round the world.

Impact of Brexit on Indigenous African Textile Industries

When the British electorate announced their move to opt out of the European Union (EU), different speculations (Luke & MccLeod, 2016; Sow

& Sy, 2016) on its impact on the UK economy, in Europe and the rest of the world especially Africa abound. This is understandable given the fact that the United Kingdom as well as the EU continue to maintain important ties with Africa and are major donors (Mold, 2018). Some of the initial evaluations were quite alarmist. For instance, Tan (2016: 18) declared that 'African economies may be severely affected by Britain's exit'.

Measuring the impact of an event or shock on the global economy, it is first important to get a sense of the relative size of the economies in question, and the depth of their existing financial, trading and investment links. The Africa rising narrative was reflected in part by an acceleration of the continental growth rate since the beginning of the Millennium and consequently leading to an increasing share of Africa in global GDP, from 4.4% 2000 to 5.1% in 2015. That optimistic narrative took a dent in 2016, as commodity prices tumbled and the growth of Nigeria and South Africa (the two largest economies) stagnated (Mold, 2018).

However, it is notable that beyond the major oil and mineral exporters, African economic growth has still been quite resilient (International Monetary Fund, 2017). By contrast, the UK's economic growth has remained sluggish since the global financial crisis of 2008–9, and as a consequence has seen its share of global GDP decline from 3.0% in 2000 to 2.3% in 2015 (Office for National Statistics, 2016). However, the influence of the British economy on global developments — and on Africa in particular — arguably goes beyond its economic size, partly as a function of its deep-seated historical ties with the continent, and also because of the influence of the City of London as one of the largest financial hubs in the world (Mold, 2018).

From UNCTAD's perspective, the negative impact of Brexit would be evident with the chemicals and textile sectors while agriculture will face positive impact. Assessing the impact of Brexit, analysts have noted that the Brexit would weaken trade ties between the UK and African nations because the renegotiation of trade agreements can be a lengthy process and secondly because African countries are unlikely to be amongst the UK's first priorities (Rosnay, 2016). Rosnay further observed that the African economy as a whole won't be affected as the UK only represents 5% of its total exports. Although, an example of an African country to feel much of

the impacts is Mauritius as revenues from the UK for Mauritius has decreased strongly, affecting largely the fashion/textile sector.

While few aspects of the UK's imminent exit from the European Union are uncontroversial, it is perhaps near-universally recognised that Brexit will provide a valuable opportunity for the UK to re-evaluate its trading arrangements with Africa (All Party Parliamentary Group for Africa, 2017). More so, Brexit provides a unique opportunity for African nations to join together to leverage their position and collective bargaining power to negotiate more advantageous deals especially on textile matters.

Although, the full impact of Brexit on African indigenous textile industries is yet to be seen, uncertainty is likely to linger for a while, and the nations that are highly dependent on the UK are more likely to scramble to take whatever deal the UK offers. Nonetheless, Brexit provides an exclusive avenue for African indigenous textile industries to flex their collective muscles and negotiate more advantageous deals with the UK on all sectors especially on the aspect of textiles.

Alliancing Potentials between the UK and Indigenous African Textile Industries: Post-Brexit Period

For an industry to succeed, inter-firm collaborations such as strategic alliances and joint ventures become important instruments to improve overall performance and competitiveness especially in turbulent business environments like textile markets. Effective alliances can be growth and profitability engines in both domestic and global markets (Halevy, Monier & Sarrazin, 2004). Successful alliances are typically coalitions linking distinctive capabilities from each partner to increase their collective business value. A strategic alliance works when a wholly-owned subsidiary or acquisition is not feasible, when an evolutionary approach is desired, or when each partner recognizes its need to access critical capabilities that it is unable to develop by itself (Harbison & Pekar, 1998). However, despite the rise in the number of alliances formed between sectors of various nations to boost their performances, little is known about literature on strategic alliances formed with regards to textile industries.

Recent globalization of the textile trade coupled with the Brexit Movement by the UK have opened up highly demanding and evolving requirements

for outsourcing in textiles (Dadashian, Shakibfar, Fazel & Zarandi, 2007). Market uncertainty has been created in the global fashion industry due to Brexit and the US-China trade war. The fluctuations in the exchange rate have put a pressure on prices. According to the UK Fashion and Textile Association (UKFT), part of the issues the UK is deemed while exiting the EU include the textile and apparel suppliers of the UK experiencing some difficulties while trading with the EU during the transition period.

Commenting on the situation and discussing the Brexit effect and how a UK alliance with Africa could positively affect the textile industry, Drapers (2019) affirmed that as an industry giant, the UK can play a key role in supporting growth in the African manufacturing industry while equally capitalizing on the benefits the African continent as a whole can offer. According to Drapers, with an apparently diminishing retail industry in the UK – high street retailers shutting up shops and UK brands suffering and struggling to stay out of the red – the industry has reached a standstill and any opportunity for expansion is appealing. Thus, a partnership with Africa, which not only has an industry for garment manufacturing, but is also experiencing a growth in diaspora moving back to the continent from UK and Europe, could be highly beneficial.

Another possible room for the UK forming an alliance with Africa post-Brexit can be evident in the fact that UK has recognized that Africa presents a new and growing market of consumers for UK retailers and businesses. Before now, the African continent has not been widely considered as a viable sourcing destination for the global and complex international fashion and textile industry. But since the Brexit referendum, the UK has started to open its eyes to seek new alliances and new partners in Africa (Drapers, 2019). The departure from the EU is allowing the UK to seek these new partnerships within the closely situated African continent. Agreeable trade policies and preferential trade agreements with the UK, that reduce or eliminate export duties – similar to the African Growth and Opportunity Act in the USA, or the European Union's Everything but Arms scheme – will increase the interest in African sourcing and production.

In another development, Dadashian, Shakibfar, Fazel and Zarandi (2007) emphasizing on the essence of forming alliances among textile industries, maintained that there are some success factors for strategic alliance

formation and maintenance in textile companies. They include the following: to maintain market position; expand competencies, gain access to complementary resources, compete against common competitor, reduce risk and uncertainty, exchange complementary technology, gain faster payback on investment, reduce competitions, produce at lower cost location, and conform to government policy. Dadashian *et al.*, (2007) also stressed that these positive reasons makes it easy for partnership to be formed between textile industries of developing nations and the developed ones as the benefits are not one-sided. Dadashian *et al.*, further suggested that these factors should be brought to the table by the textile sectors of the UK and Africa post-Brexit as they will make for quicker strategic alliances to be formed.

Furthermore, knowing that uncertainty is one valid reason for upsurge collaboration among textile market firms, the promises for forming alliances are certain. Since the Brexit Movement, analysts have predicted that the UK market economy will experience some varying levels of uncertainties as a new UK market economy is born (which includes the textile market). Speaking specifically on the textile market, this uncertainty not only stems from market unstable nature, but also because technology is dynamic and the ability to combine these technologies as well as the expertise required is domicile in different textile industries. Thus, strategic partnerships are the preferred approach in dealing with the struggles for keeping up with innovations in the world of textiles.

Consequently, it is not far from the truth to mention here that indigenous textile companies of developing nations, Africa inclusive, will capitalize on this Brexit opportunity to revitalize their textile sectors. Inasmuch the textile industries of the UK needs to regain complete balance while transiting from the European Union, the avenue for the textile firms of developing nations to 'rub shoulders with the big league' in the form of strategic collaborations is bound to ensue as this will boost their overall performance. In addition, as Drapers (2019) pointed out, this strategic partnership will be a two-way partnership; hence, for the UK, an alliance with Africa after Brexit will increase capacity for retailers and allow them to export with a faster market plan since the fashion and textile industry is one area where change affects communities.

Barriers to Alliancing Potentials between the UK and African Textile Industries

Although the very essence of forming alliances in the textile market is glaring, it does not imply that there are no obstacles to its realization. For instance, alliances to realize complementary assets, achieve strategic competitiveness and earn above-average returns may more likely lead to more competitiveness rather than create a competitive edge. In fact, most textile industries going into an alliance are more concerned about personal gains rather than achieving wins both ways. In Buckles' (2019) reaction, he lamented that while approaching a potential textile alliance partner, one of the most important things to keep in mind is to ask not what the strategic partner can do for you but what you can do for the partnership.

Irrespective of the glaring alliancing potentials between the UK and African indigenous textile industries as well as the numerous benefits to be attained, there exist some barriers to the actualization of such alliances. A report for the Alliance Project and NBrown - National Textiles Growth Programme (2017) acknowledged that the factors militating against growth across fashion and textile industries include lack of knowledge about a nation's supply base; asymmetry between retailer and manufacturer; micro-size supply chains; image of the industry; lack of large firms; confidence to invest; and payment terms. From a perspective, thus, these factors could create obstacles for a textile industry while joining an alliance as they are deemed to influence the industry's contribution in such an alliance.

Despite the fact that textile alliances are more likely to create competitive advantage, achieve strategic competitiveness, earn above-average returns and improve overall performance, some elements pose as issues limiting the formation of such alliances. They include but are not limited to the following:

- (i) **Selfish Interests:** One major challenge hindering the potentials of textile alliance formation can be tied to 'selfish interest'. It is the goal of every strategic alliance to achieve a partnership that is mutually beneficial to both parties involved. With human nature being motivated by self-interest, it is often difficult to enter into a textile-relationship

with the goal to benefit the other party just as much as it will benefit one's industry.

- (ii) **Power Imbalances:** The effectiveness of an alliance formed between the UK and African indigenous textile industries could be determined by the level of power imbalance perceived by the parties involved in such alliance. This could impact on the alliance being formed as it could make it to be one-sided. For instance, the party with the higher power could use such to influence the alliance entered into for its personal benefits.
- (iii) **Insecurity:** Security is a cause for major concern for any business activity nowadays. One factor that could eliminate the promises of a strategic alliance is the level of insecurity in the region of one party forming the alliance. For example, the level of insecurity in some parts of Africa (especially where textile raw materials are produced) could stand as a barrier to the formation of partnership in the textile sector as the UK could perceive disruptions in the implementation of such alliances.
- (iv) **Disparity in Technology Application:** Strategic alliancing potentials can be hampered as a result of the gap in the application of technology for textile processes between the UK and Africa. Keeping up with the pace in technological advances is a norm for a developed region like the UK. In comparison, most African nations are yet to even master the early-developed technological processes applied in the textile sector. This can serve as a barrier for preventing strategic alliances from being formed.
- (v) **Geo-Economic Situation of a Potential Partner:** Assessing the 'fit' of a potential partner for a strategic alliance would include such features as climate, power, raw materials, labour, and markets. The outcome of such assessment could either make or mar the potentials for venturing into a partnership. In the case of the UK-African strategic alliance on textile matters, the geo-economic situation of both parties could stand as an

obstacle for a successful alliance. For the UK, the uncertain outcome after the transition process from the EU impacting positively or negatively its geo-economic status while on the other hand, the Africa setting which has always had an unstable geo-economic condition. These could mar the alliancing potentials between the UK and African textile industries.

CONCLUSION

Strategic alliances are increasingly gaining popular for textile industries to achieve fast and economical growth in today's globalization. As such, a strategic alliance between the UK and African textile industries, especially since Brexit, cannot be overemphasized. Hence, in this paper, the UK-African partnership in the pre-Brexit Era; Brexit's impact on African textile industries; the alliancing potentials between the UK and African textile industries in the post-Brexit period as well as the barriers to such alliancing potentials are examined.

This paper has shown that Brexit will shape head-on the path taken by the textile industries of the UK and other regions who do businesses with them especially Africa. Although analysis has shown that Brexit will create challenges for both the UK and the African community, it will not necessarily be in the way that is commonly thought. From the discussion in this paper, it is obvious that there are some reasons to expect a more positive outcome with some additional opportunities via the strategic alliances, though regrettably, there are barriers to the alliancing potentials between the UK and African textile industries post Brexit. However, it is clear that all the analysis in this paper points to the fact that Brexit presents both Africa and the UK with an opportunity for 'pro-developmental stance' irrespective of the barriers standing in the way.

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