AFRICAN COALITION FOR TRADE, INC.

1054 Thirty-first Street, N.W., Suite 540
Washington, D.C. 20007
Telephone: 202-965-3444 **Fax 202-965-4432** **Email: act@his.com**
www.acttrade.org

Infrastructure Constraints Limit the Export Competitiveness of the African Textile and Apparel Industries

I appreciate the opportunity to appear before the Commission in Investigation No. 332-477, concerning the effects of infrastructure conditions on export competitiveness of certain industries in Africa. My testimony will focus specifically on the textile and apparel industry.

I am the president of a non-profit trade association known as the African Coalition for Trade (ACT). Our members come from the private sector in 11 African countries: Botswana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, South Africa, Swaziland, Tanzania and Zambia. Our members export to the United States under the African Growth and Opportunity Act (AGOA). Although ACT's members come from various sectors, we have more members in the textile and apparel sector than any other.

As you are well aware, AGOA provided incentives for the private sector to invest in and import from Africa by extending duty-free benefits to almost all products imported from Africa. This duty-free preference helped improve the export competitiveness of various sectors, but perhaps none more so than textiles and apparel. U.S. imports of textiles and apparel from Africa grew by almost 300% during AGOA's first five years in effect, 2001-2005.

AGOA Imports from Sub-Saharan Africa, Major Commodity Sectors
(million $)

	2001	2005	% Change
Energy Products	$6,827	$35,208	415.72%
Minerals and Metals	$319	$494	54.86%
Textiles and Apparel	**$359**	**$1,425**	**296.94%**
Agricultural Products	$154	$272	76.62%
Chemical Products	$128	$329	157.03%
Transportation Equipment	$301	$274	-8.97%
Machinery	$23	$19	-17.39%
Forest Products	$22	$32	45.45%
Other	$46	$72	56.52%
Footwear	$0	$2	>100%
Subtotal: Non-Petroleum Products	**$1,352**	**$2,938**	**117.31%**
Total	**$8,179**	**$38,146**	**366.39%**

This impressive growth in textile and apparel trade was not widely spread across Africa. Rather, it was highly concentrated in just six countries, which accounted for more than 90% of the total: Lesotho, Kenya, Madagascar, Swaziland, South Africa and Mauritius.

Country	2001 Million MSE	2005 Million SME	% Change
Lesotho	50.900	95.261	87.15%
Kenya	18.521	73.899	299.00%
Madagascar	37.479	62.565	66.93%
Swaziland	11.433	54.986	380.94%
Mauritius	41.072	29.210	-28.88%
South Africa	47.602	16.837	-64.63%
Namibia	0.081	16.091	19765.43%
Botswana	1.286	7.687	497.74%
Malawi	4.368	6.965	59.46%
Ghana	0.214	6.410	2895.33%
Ethiopia	0.548	2.136	289.78%
Uganda	0.001	1.762	176100.00%
Cape Verde	0.636	0.914	43.71%
Tanzania	0.001	0.840	83900.00%
Sub-Saharan Africa	**218.417**	**376.769**	**72.50%**

It is not random chance that these six countries have enjoyed most of the growth in textile and apparel production under AGOA. Rather, there are some clear reasons for their relative success, and access to relatively better infrastructure is among the more important reasons, especially infrastructure for transportation, electricity and water.

With the exception of Lesotho and Swaziland, the successful textile and apparel countries are all coastal, so they do not have to depend upon the generally poor inland transportation network in Africa. And even Lesotho and Swaziland are not typical of most landlocked African nations, as they are located within South Africa and are able, therefore, to take advantage of South Africa's superior road network. No other landlocked nation has been able to take significant advantage of AGOA's duty-free preference for apparel, largely because of the increased time and expense inherent in inland transportation in Africa. While landlocked Botswana, Malawi and Uganda all managed to achieve some apparel production and exports, the volumes were very small. Access to adequate transportation infrastructure, therefore, is an essential prerequisite for an export competitive textile and apparel sector.

When one focuses on textile production, *i.e.*, yarn spinning, fabric weaving or knitting, rather than garment manufacturing, the concentration is even greater, with just South Africa, Mauritius and Lesotho having significant textile production, plus smaller production in Kenya and Madagascar. Again, it is not a coincidence that the Africa textile industry is focused in these countries. Rather, the relatively superior infrastructure available in these countries has played a key role in attracting the textile industry.

Textile production is highly capital intensive, much more so than apparel production, and requires access to reliable electricity and clean water. A typical garment factory can continue to operate on generators if the electricity supply is interrupted. But a break in the power supply will bring a textile plant to its knees and could ruin hours' worth of fabric weaving. Similarly, dyeing, washing and finishing operations require large volumes of clean water, not to mention waste water treatment facilities. In short, the textile industry can survive only where it has access to both electricity and water infrastructure. Of course, transportation infrastructure is just as critical for the textile industry as for the apparel sector.

It is widely recognized in the textile and apparel industry that long-term competitiveness can be achieved only through vertical integration, *i.e.*, with yarn, fabric and garment assembly operations at the same or nearby facilities, thereby eliminating time delays and transportation costs in transferring textile inputs to the garment factories. But the infrastructure constraints that are widespread in Africa, especially in power and water, limit the ultimate competitiveness of the African apparel industry by making vertical integration difficult to achieve.

The end of the Multi-Fiber Arrangement (MFA) system of quotas on textile and apparel trade, effective January 1, 2005, produced a major restructuring of world-wide textile and apparel production and sourcing. It had been hoped that AGOA's duty-free preference would help to offset Africa's other competitive disadvantages vis-à-vis the major Asian textile and apparel producing countries. But unfortunately, U.S. apparel imports from Africa have fallen by 25% since the end of the MFA, as this business shifted to China and other more competitive countries, mostly in Asia. Indeed, Africa has been one of the biggest losers from the end of the MFA.

U.S. Apparel Imports Before and After the End of the MFA, 2004-2007

Region	2004 msme	2007 msme	% Growth
World	19950.996	23332.111	16.95%
China	2972.523	8033.594	170.26%
Bangladesh	941.685	1351.828	43.55%
India	609.338	867.891	42.43%
Cambodia	634.683	866.623	36.54%
Pakistan	519.282	695.543	33.94%
CBI (non-CAFTA)	228.231	278.628	22.08%
ASEAN Region	3468.490	4471.554	28.92%
Vietnam	777.055	1273.670	63.91%
CAFTA	3790.834	3341.826	-11.84%
Andean Region	252.745	187.195	-25.94%
Sub Saharan Africa	**440.300**	**332.304**	**-24.53%**

Relatively superior infrastructure in the major Asia textile and apparel producers was one of several factors that led to this refocusing of textile and apparel production and sourcing following the end of the MFA. Other important contributing factors were: state subsidies, currency manipulation, economies of scale, etc.

Recognizing the threat posed to the U.S. textile industry by surging imports from China, the United States imposed temporary safeguard quotas on textile and apparel imports from China in November 2005. These safeguard quotas will expire at the end of this year. The safeguard quotas temporarily slowed the drop in U.S. apparel imports from Africa during 2006-07.

Country	2006 Million SME	2007 Million SME	2006-07 % Change
Botswana	3.086	1.988	-35.58%
Ethiopia	1.004	1.173	16.85%
Ghana	1.709	2.576	50.80%
Kenya	22.57	22.15	-1.86%
Lesotho	30.266	33.678	11.27%
Madagascar	17.233	22.727	31.88%
Malawi	1.854	2.283	23.15%
Mauritius	6.848	6.331	-7.54%
Namibia	5.14	5.182	0.81%
South Africa	7.319	3.566	-51.28%
Swaziland	12.293	15.108	22.91%
Tanzania	0.421	0.256	-39.24%
Uganda	0.454	0.04	-91.15%
Sub-Sahara Africa	**110.789**	**117.369**	**5.84%**

But the losses have returned in 2008, presumably in anticipation of the expiration of the safeguard quotas at the end of the year. There is a serious risk that U.S. apparel imports from Africa will free-fall next year after the safeguard quotas expire.

Country	Jan.-August 2007	Jan.-August 2008	Jan.-Aug. 07-08 % Change
Botswana	3.675	2.136	-41.87%
Cape Verde	0.000	0.000	0.00%
Ethiopia	1.938	4.257	119.67%
Ghana	4.094	0.318	-92.24%
Kenya	43.690	42.791	-2.06%
Lesotho	68.091	57.063	-16.20%
Madagascar	49.105	48.890	-0.44%
Malawi	4.486	2.205	-50.84%
Mauritius	13.472	10.626	-21.12%
Namibia	7.796	0.004	-99.95%
South Africa	8.081	21.343	16411.00%
Swaziland	28.028	24.898	-11.17%
Tanzania	0.620	0.599	-3.39%
Uganda	0.196	0.000	-100.00%
Sub-Saharan Africa	**234.090**	**216.863**	**-7.36%**

The relative inferiority of African infrastructure, compared to that in major Asian apparel producing countries, is one of several factors that have put the infant AGOA-inspired African textile and apparel industry in jeopardy. In the case of the textile and apparel industries, transportation, electricity and water are especially infrastructure affecting export competitiveness.

I would be happy to respond to any questions the Commission may have.

Respectfully submitted,

Paul Ryberg
President