

AFRICAN COALITION FOR TRADE, INC.

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February 8, 2007

Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Re: WTO Quota Free/Duty Free Initiative

Dear Ms. Blue:

We are writing in response to the notice published in the January 18, 2007 edition of the Federal Register, 72 Fed. Reg. 2316, to submit the views of our members on the United States' implementation of the WTO quota-free/duty-free (QFDF) initiative for products imported from least developed countries (LDCs) that was adopted at the Hong Kong WTO Ministerial in December 2005.

The United States has indicated that it intends to extend QFDF to 97% of products imported from LDCs, but that it also plans to exclude from QFDF sensitive products up to 3% of such imports. (*See, e.g.*, December 18, 2005 press conference by then-Deputy U.S. Trade Representative Susan Schwab.) Our members in the private sector in Africa support the QFDF initiative, but we also support the United States' exclusion of sensitive products from QFDF. Our members encourage the United States to exclude apparel products from the QFDF initiative in order to prevent the QFDF initiative from unintentionally undermining the African Growth and Opportunity Act (AGOA).

The African Coalition for Trade (ACT) is a non-profit trade association of African private sector companies and associations that are engaged in trading with the United States under AGOA. ACT was actively involved in the development, enactment, implementation and amendment of AGOA, and throughout the AGOA process has served as one of the leading spokespersons for the African private sector on matters relating to AGOA. ACT's members include leading apparel producing and exporting companies in, *inter alia*, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, South Africa, Swaziland, Tanzania, and Zambia. It is estimated that ACT's members supply more than one-half of total U.S. apparel imports under AGOA.

With the enactment of AGOA in 2000, the United States adopted a policy of encouraging the economic development of Africa through generous trade preferences, with special emphasis on apparel trade. During its first four years in effect, AGOA was a

tremendous success. U.S. apparel imports from Africa grew by more than 100% during 2001-2004. It is estimated that more than 200,000 new jobs were created in a region where unemployment routinely hovers around 40%. AGOA has rightly been hailed as the most successful U.S. trade-based economic development program.

With the end of the Multi-Fiber Arrangement (MFA) system of quotas effective January 1, 2005, however, the growth in apparel trade with Africa spurred by AGOA came to a screeching halt. In the two years since the end of the MFA, U.S. apparel imports from Africa have fallen by more than 25%. As a result, it is estimated that roughly half of the jobs created by AGOA have been lost during the two years since the end of the MFA.

It is now painfully clear that Africa has suffered disproportionately from the restructuring of world apparel production and sourcing that followed the end of the MFA. While U.S. apparel imports from Africa are down 25% since the end of the MFA, most of the major Asian producers have experienced significant growth in apparel exports to the United States, with Bangladesh up 40.6%, Cambodia up 34.4%, China up 118.5%, India up 39.5%, Pakistan up 31.0%, and Vietnam up 24.8%. On a regional basis, no region of the world has suffered trade losses that compare to those of Africa. While the Andean Region and Central America have also experienced losses since the end of the MFA, they are not on the same scale as the 25% loss by Africa.

Apparel Imports from Various Regions 2004- 2006

Region	2004 msme	2006 msme¹	% Growth
World	19,980.996	22,750.178	13.86%
China	2,972.523	6,493.972	118.47%
Bangladesh	941.685	1,324.329	40.63%
India	609.338	849.893	39.48%
Cambodia	634.683	852.840	34.37%
Pakistan	519.282	680.474	31.04%
CBI (non-CAFTA)	228.231	294.815	29.17%
Vietnam	777.055	969.349	24.75%
ASEAN Region	3,468.490	4,322.451	24.62%
CAFTA	3,790.834	3,425.155	-9.65%
Andean Region	252.745	217.777	-13.84%
Sub Saharan Africa	440.300	328.028	-25.50%

¹ Estimated from OTEXA January-November 2006 import data

Even without duty-free status, since the end of the MFA the major Asian garment producers have aggressively captured market share that Africa had slowly built up since the enactment of AGOA. If the Asian LDCs were to obtain duty-free access to the U.S. market for their already fully-competitive apparel exports, African apparel production and exports would be decimated.

The Uruguay Round's elimination of the MFA was touted as a major benefit for developing countries. It is sadly ironic that that well-intentioned step has seriously undermined the growth in U.S.-Africa trade that has developed in response to AGOA. It would be tragic if another WTO initiative intended to help developing countries were to have the unintended consequence of finishing the destruction of the African apparel industry.

For these reasons, the members of ACT urge the U.S. Administration to exclude sensitive products such as apparel products from the QDFD initiative. In particular, we urge that duty-free status should not be extended under QDFD to those product categories that are most important under AGOA, specifically Categories 338/339/638/639, 340/640/641, 345/645/646, 347/348/647/648, 352/652, 632, 634/635, and 651.

We appreciate your consideration of our views on this issue, which is of critical importance to the survival of the African apparel industry. Please let us know if we answer questions or otherwise be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Ryberg". The signature is written in a cursive style with some loops and flourishes.

Paul Ryberg
President