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Developing Countries in Africa and Caribbean Urge Limits to WTO DFQF Initiative

WASHINGTON, DC In comments filed with the Office of the U.S. Trade Representative (USTR) earlier this month, developing countries in Africa and the Caribbean urged the United States to exclude sensitive products, including sugar and apparel in particular, from the WTO duty-free, quota-free (DFQF) initiative that was adopted at the December 2005 Hong Kong Ministerial.

The WTO DFQF initiative authorizes developed countries to extend duty-free, quota-free treatment to most products imported from least developed countries (LDCs). The terms of the DFQF initiative, however, allow exclusion of sensitive products, up to 3% of imports from the LDCs. In January USTR solicited comments on how the United States should implement the DFQF initiative.

In comments filed with USTR by the Common Market for Southern and Eastern Africa (COMESA), the regional trade bloc of 19 African countries urged the exclusion of both apparel from DFQF in order to avoid undermining the African Growth and Opportunity Act (AGOA). COMESA also recommended that sugar should be excluded to protect the value of access to the U.S. sugar market, where imports receive a stable and fair price in contrast to the volatile world market where prices are far below the cost of producing sugar in most countries. Thirteen of COMESA's 19 member countries are AGOA beneficiaries, and five hold allocations under the U.S. tariff rate quota (TRQ) on sugar.

The African Coalition for Trade (ACT) filed similar comments with USTR, pointing out that the African apparel industry that has been created in response to AGOA has already been staggered by surging apparel imports from China and hyper-competitive Asian LDCs since the expiration of the Multi-Fiber Arrangement (MFA) quotas in 2005. Extending duty-free treatment to apparel from Bangladesh and Cambodia would further undermine AGOA and could signal the end of the African apparel sector, which has been AGOA's greatest success story so far. ACT is a non-profit association of African private sector groups located in 11 African countries that trade with the United States under AGOA.

In addition, a group of private sector sugar industries in 11 countries in the Caribbean, Africa, and the Pacific submitted comments to USTR urging that sugar should be excluded from DFQF to avoid destabilizing the U.S. sugar market. If sugar imported from LDCs were exempted from the TRQ under the DFQF initiative, LDCs that have not traditionally been sugar exporters would increase production for export to the remunerative U.S. market, which would likely be flooded. In turn the price paid for imported sugar would fall, probably to unsustainable levels for all but the lowest-cost exporters, which are primarily non-LDCs like Brazil. The LDCs, where production costs are no lower and are often higher than in other developing countries with established, export-oriented sugar industries, would find the value of duty-free, quota-free treatment rendered worthless by their inability to secure prices that cover average costs of production and shipment.

ACT can provide copies of the comments referenced above upon request. For further information, please contact Paul Ryberg.