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This statement is submitted by the Mauritius-U.S. Business Association (MUSBA) for the record of the Senate Finance Committee's June 12, 2008 hearing entitled "Oversight of U.S. Trade Preference Programs." MUSBA is a non-profit trade association of Mauritian and U.S. companies involved in trade and investment between the two countries, particularly under the African Growth and Opportunity Act (AGOA).

Prior to the end of the Multi-Fiber Arrangement (MFA) in 2005, AGOA's duty-free preferences had been tremendously successful in spurring increased apparel imports from Africa. During 2000-2004, U.S. apparel imports from Africa increased by more than 130%, leading to the creation of an estimated 200,000 jobs in Africa. Following the end of the MFA, however, U.S. apparel imports from Africa had fallen by a shocking 25% by the end of 2007, leading to the closing of dozens of apparel factories and the loss of an estimated 100,000 jobs.

The post-MFA contraction of the African apparel sector has been especially severe in Mauritius, where more than 30 apparel factories have closed, costing more than 30,000 jobs. That represents fully one-third of the apparel sector jobs Mauritius had before AGOA was enacted. The impact on the Mauritian economy has been staggering because the apparel sector is by far the largest employer in the country. U.S. apparel imports from Mauritius have declined by 52%, so that, today, Mauritius exports substantially less apparel to the United States today than it did before AGOA was enacted.

U.S. Apparel Imports from the AGOA LDCs and Mauritius

Country	2000 (msme)	2007 (msme)	% Growth 2000-2007
Swaziland	7.166	39.841	456.07%
Kenya	12.556	68.791	447.9%
Madagascar	20.495	74.292	262.5%
Lesotho	34.365	95.143	176.9%
Botswana	2.167	5.451	151.6%
Malawi	3.311	5.868	77.2%
Namibia	-0-	8.955	>100%
Ghana	-0-	5.530	>100%
Ethiopia	-0-	2.892	>100%
Uganda	-0-	0.224	>100%
Mozambique	-0-	0.058	>100%
Tanzania	-0-	0.565	>100%
Mauritius	39.771	19.186	-51.8%

On the theory that the AGOA LDCs needed an extra competitive advantage to develop successful apparel industries, the original AGOA allowed the African LDCs to use more available, less expensive yarns and fabric from any origin ("third-country fabric"). The non-LDCs, including Mauritius, however, were limited to using either U.S. or African-origin yarns/fabrics, which has proven to be a serious competitive disadvantage.

Botswana and Namibia were also classified as non-LDCs in the original AGOA and were, therefore, disqualified from using third-country fabric. When it became evident that Botswana and Namibia were not benefiting from AGOA, in the so-called “AGOA II” amendments enacted in 2002, Congress reclassified Botswana and Namibia to LDCs to enable them to compete on equal terms with the LDCs.

Recognizing that Mauritius was actually losing its apparel industry, Congress extended the same relief to Mauritius in the 2004 Miscellaneous Tariff Bill (MTB). However, unlike Botswana and Namibia, which were given permanent LDC status, the 2004 MTB gave Mauritius LDC status only for 12 months, October 2004-September 2005. And in fact, U.S. Customs and Border Protection did not implement the Mauritius LDC provision until March 2005, reducing the benefits to just six months. This temporary LDC status has proven to be far too short to provide the intended transitional assistance to allow the Mauritian apparel industry to adjust to increased competition with the end of the MFA. Rather, apparel exports from Mauritius to the United States have continued to decline, falling by a further 34% since Mauritius’ 2004 LDC derogation expired. Indeed, since the expiration of the 2004 LDC derogation, Mauritian exports of garments made with third-country fabric have essentially disappeared, falling from 14.508 million square meter equivalents (sme) in 2004 to just 880,000 sme in 2007, a shocking decline of 94%.

The initial contraction in the Mauritius apparel sector was caused in large part by the increased competition from China, Bangladesh, Vietnam, Cambodia and other super-efficient Asian apparel producers with the termination of the MFA system of quotas effective January 1, 2005.

Realignment of U.S. Apparel Imports Post-MFA

Country	2004	2007	% Change 2004-2007
World	19,950.996	23,335.117	16.96%
China	2,972.523	8,033.631	170.26%
Bangladesh	941.685	1,354.101	43.80%
Vietnam	777.055	1,273.657	63.91%
India	609.338	867.881	42.43%
Cambodia	634.683	866.625	36.54%
Pakistan	519.282	695.545	33.94%
Sub-Saharan Africa	440.300	332.310	-24.53%
Mauritius	37.332	19.186	-48.61%

With the safeguard quotas on China scheduled to expire at the end of this year, it seems virtually certain that a further concentration of U.S. apparel sourcing will occur. Those traditional suppliers that are at a competitive disadvantage – including Mauritius without access to third-country fabric – will be hard hit and may not survive.

In the long term, Mauritius is committed to restoring its international competitiveness through vertical integration, as is illustrated by the fact that a new denim fabric plant has recently opened in Mauritius. Other similar projects to increase efficiency are also underway. But these new investments will be rendered moot if the apparel sector loses critical mass in the meantime. Obviously, investors will not risk their capital in upstream textile plants if there are not enough downstream apparel customers to utilize the output of yarn and fabric.

Because the apparel factory closings and job losses in Mauritius have continued since its LDC derogation expired in 2005 and will almost certainly worsen when the safeguard quotas on China expire at the end of the year, Mauritius now needs the LDC derogation more than ever. Legislation to renew the Mauritius LDC provision is currently pending before the House of Representatives, H.R. 5059. Chairman Baucus introduced legislation to renew the Mauritius provision in the 109th Congress, S. 3904, but it was not enacted for unrelated reasons.

Respectfully Submitted,

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

June 20, 2008

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