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## **Including Apparel from Already-Competitive LDCs in any DFQF Initiative Risks Undermining AGOA**

The African Coalition for Trade, Inc. (ACT) respectfully submits these comments for the record of the U.S. International Trade Commission's (ITC's) Investigation No. 332-527 into the Probable Economic Effect of Providing Duty-Free, Quota-Free Treatment for Imports from Least-Developed Countries.

ACT is a non-profit association of African private sector groups involved in trade with the United States, especially under the African Growth and Opportunity Act (AGOA). ACT's members come from the private sectors in Kenya, Lesotho, Madagascar, Mauritius, Swaziland, South Africa, Tanzania, Zambia and Zimbabwe. ACT has been a leading spokesperson for the African private sector throughout the development, enactment, implementation and amendment of AGOA, as well as in ITC proceedings concerning AGOA.

Africa is the poorest continent and contains the most least developed countries (LDCs). One would expect, therefore, that any initiative to extend duty-free/quota-free (DFQF) treatment to products from LDCs would benefit primarily Africa. Nothing could be farther from the truth. That is because Africa already has DFQF access to the United States for almost all products under AGOA. Any new LDC DFQF initiative, therefore, would benefit primarily non-African LDCs. While there is nothing wrong with that, the problem is that there is a serious risk that any such new LDC DFQF initiative would actually harm Africa by shifting current trade opportunities from Africa to non-African LDCs. This risk is especially problematical with respect to apparel.

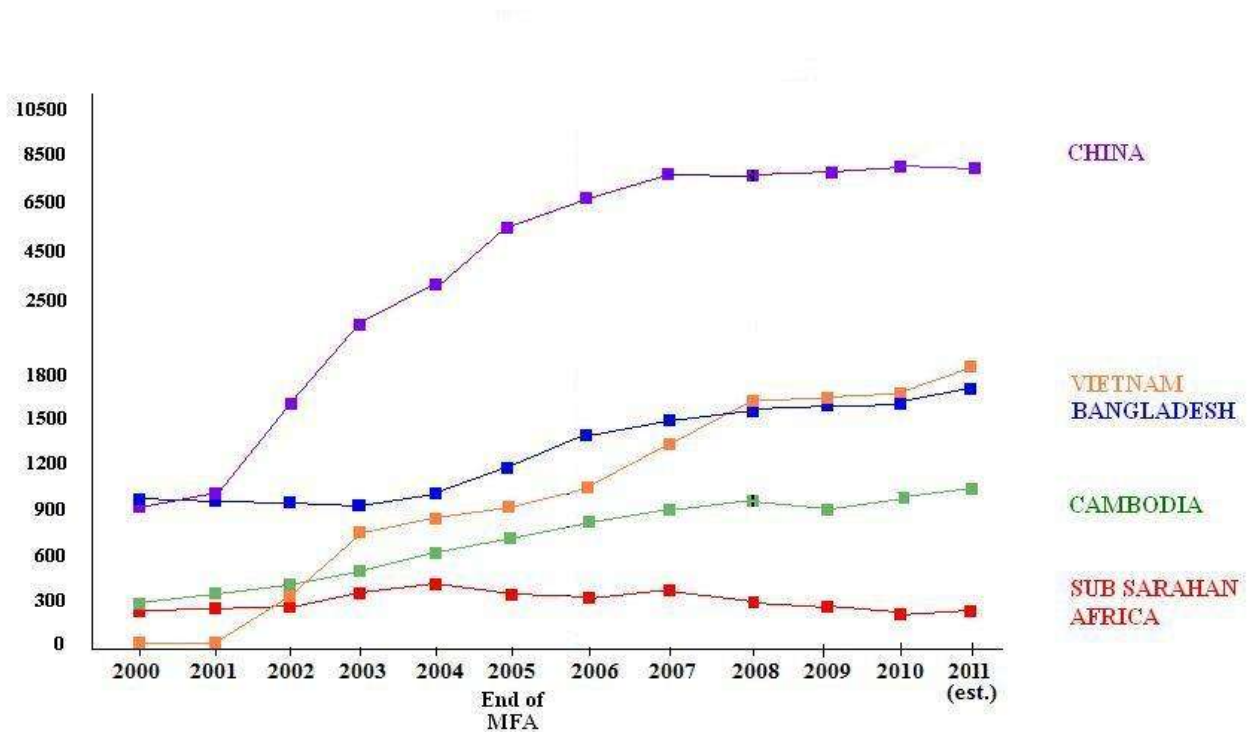
For the past decade, AGOA has been the foundation of U.S. economic policy concerning Africa. AGOA's biggest success has been in the apparel sector, which extends DFQF treatment to apparel from all AGOA beneficiaries, including the African LDCs. African apparel exports to the United States more than doubled during AGOA's first five years in effect, rising from 187 million square meter equivalents (sme) in 2000 to 440 million sme in 2004. At least 300,000 new jobs were created in the African apparel sector, providing livelihoods for millions of people. Most of these jobs went to women, who for the first time were employed in the formal sector, thereby empowering them and providing a level of economic independence previously unknown.

The economic benefits created by the new apparel production and the accompanying job creation in response to the AGOA duty preference were widespread across numerous African countries, including Botswana, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Uganda and Zambia.

With the end of the Multi-Fiber Arrangement (MFA) system of quotas in 2005, however, the African apparel industry confronted competition from much larger and well-established apparel producers in Asia, including those in Bangladesh and Cambodia. As illustrated by the

following graph, between the end of the MFA in 2005 and 2010, U.S. apparel imports from Bangladesh are up 71%, while imports from Cambodia are up 53%. But U.S. apparel African apparel exports to the United States under AGOA fell by 53% to just 220 million sme, all but erasing the gains made in AGOA's first five years and resulting in the loss of roughly half of the jobs created by AGOA.

Equally important, U.S. apparel imports from Bangladesh and Cambodia (2.7 billion sme in 2010) are more than ten times greater than those from all of Africa combined (220 million sme). It is clear, therefore, that apparel production in Bangladesh and Cambodia has already achieved economies of scale, while the African apparel sector, which is spread out among at least 14 different countries, remains small and widely dispersed and, therefore, by definition less efficient.



Moreover, there is no sign that the strong upward trend of apparel exports by Bangladesh or Cambodia is slowing down. For the 12 months ending June 2011 (the most recent period for which U.S. Commerce Department data is available), U.S. apparel imports from Bangladesh are up a further 11% over the same period last year measured by sme and up 28% measured by dollars, while imports from Cambodia are up 18% by sme and 23% by dollars.

The impressive gains in apparel exports since 2005 by Bangladesh and Cambodia have come despite the fact that duties apply to their products. It is self-evident, therefore, that the apparel industries of Bangladesh and Cambodia are already fully competitive and do not need tariff preferences to continue to expand their production and exports. On the contrary, extending DFQF to apparel from these countries will only provide further incentives for business opportunities to be shifted from the struggling African apparel sector.

Accordingly, in order to avoid undermining AGOA, ACT respectfully recommends that apparel from Bangladesh and Cambodia should be excluded from any new DFQF initiative. ACT would be pleased to provide any further information or assistance the Committee may require.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul Ryberg". The signature is written in a cursive, flowing style with a large initial "P" and "R".

Paul Ryberg  
President

August 12, 2011