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FINAL REPORT ON

THE COMPETITIVENESS OF THE SSA COTTON, TEXTILE & APPAREL SECTORS IN COMPARISON WITH SELECTED ASIAN LDC COUNTRIES 2004 – 2010

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Acronyms:

ACTIF- African Cotton & Textile Industries Federation
AGOA- African Growth and Opportunity Act
DFQF- Duty free Quota free
EAC- East African Community
EDP- Export Development Program
EPZ- Export Processing Zones
ERS- Economic Recovery Strategy
FDI- Foreign Direct Investment
GDP- Gross Domestic Product
GSP - Generalised System of Preferences
LDC- Least developed Countries
MFA- Multi Fibre Agreement
SSA - Sub-Saharan African
UNDP- United Nations Development Programme
TPP - Trans-Pacific Partnership
FTA- Free Trade Agreement
RMG - readymade garment
FY- Financial Year
EU- European Union
EOE - Export Oriented Enterprises
EIAP- Earned Import Allowance Programme

EXECUTIVE SUMMARY

Background

The African Growth and Opportunity Act (AGOA), United States Trade Act, is a unilateral trade programme that significantly enhances U.S. market access for (currently) 41 Sub-Saharan African (SSA) countries. The Act originally covered the 8-year period from October 2000 to September 2008, but amendments signed into law further extended AGOA to 2015.

Apart from a few SSA countries endowed with oil and minerals, the other major beneficiary sector since the passing of the AGOA has been the textile sector until January 1, 2005 when textile quotas were phased out with the expiry of the MFA. All across Africa, textile producers and exporters are reeling from the impact of the new textile and apparel trade rules.

Objective of study

With the expiry of MFA provisions in compliance with WTO rules - substantial liberalization of the textile and apparel sectors has resulted in dramatic declines in the SSA textile and apparel trade, and the net beneficiaries have been China and Asian LDC countries. And yet AGOA has been the lifeline of the cotton, textile and apparel industry in SSA. Non-extension of AGOA beyond 2015 spells doom for SSA cotton, textile and apparel sectors. ***It is prudent therefore to avert such a catastrophe by addressing what needs to be done for SSA textile and apparel industry to attain a level playing field and benchmark its competitiveness to that of its Asian counterparts whose efficiency comes along with better competitive prices;*** facilitate better negotiations at the international trade and development forums including lobbying the US Congress to continue with AGOA benefits; identify actions to be dedicated to the specific concerns of the industry; and promote improved competitiveness in both the regional and global market place.

Since each of the participating SSA signed onto the AGOA agreement individually, ACTIF has found it prudent to consolidate the voice of the SSA textile and apparel producers to lobby the US Congress to:
(i) Extend the period of AGOA and AGOA IV beyond 2015 to promote SSA cotton sector as originally intended;
(ii) Extend the period of the “third country fabric” provision;
(iii) Defer/postpone the introduction of duty free quota free (DFQF) status to Asian LDCs as it would undermine the purpose of AGOA and AGOA IV.
(iv) Prove that failure to guarantee AGOA (i-iii above) shall:

- Negate the intention of AGOA to alleviate poverty via “Trade not Aid”.
- Inadvertently remove the motivation to build an African Fibre, textile and apparel value chain.
- Not only discourage new investments, but reverse the development of apparel manufacturing capacity of SSA that has resulted from AGOA.
- Create unfair competition if DFQF status is extended to Asian LDCs.

Impact of AGOA on SSA and Asian LDC countries

(a) Trade Performance and Market Access

As reported by Bedi (July, 2010), the 10th AGOA Anniversary rightfully acknowledged AGOA's transformative effect on the African economies, in opening up new frontiers of engagement with USA; a comprehensive set of business environment and investment reforms in order to benchmark with international best practice; FDI inflows as well as expanded trade in textile and apparels. The textile and apparel exports to the US market increased from US $ 748 million in 2000 to $1757m in 2004 but have since declined to US$ 922 in 2009.

Table 1: Comparison of USA Textile Imports from SSA and selected Asian Countries, 2004-2009

	2000 Imports ($ millions)	2004 Imports ($ millions)	2009 Imports ($ millions)	% change 2004-2009
SSA	748	1757	922	-48%
Total-Asian LDC	2971	5989	10339	+73%
• Bangladesh	2116	1998	3410	+71%
• Cambodia	808	1429	1871	+31
• Vietnam	47	2562	5058	+98

Source: US Dept of Commerce, Office of Textiles and Apparel

The erosion of the AGOA market preferences are likely to get worse with the enactment of new legislation proposed in Congress to reform US trade preference programmes to expand duty free quota free eligibility to apparel products from fully competitive non-AGOA LDC countries- including Bangladesh and Cambodia. Unless the SSA countries position themselves and present their case for continued AGOA preferences for consideration within the frameworks of these negotiations, the AGOA benefits accumulated so far stand to be lost forever.

Many SSA firms have limited capacity to offer large volumes that may be required by U.S. market. In addition the poor SSA infrastructure and inferior logistics have contributed to the uncompetitive textile pricing in the global markets.

Figure 1: ***Comparison of USA Textile Imports from SSA and selected Asian LDC countries in 2005***

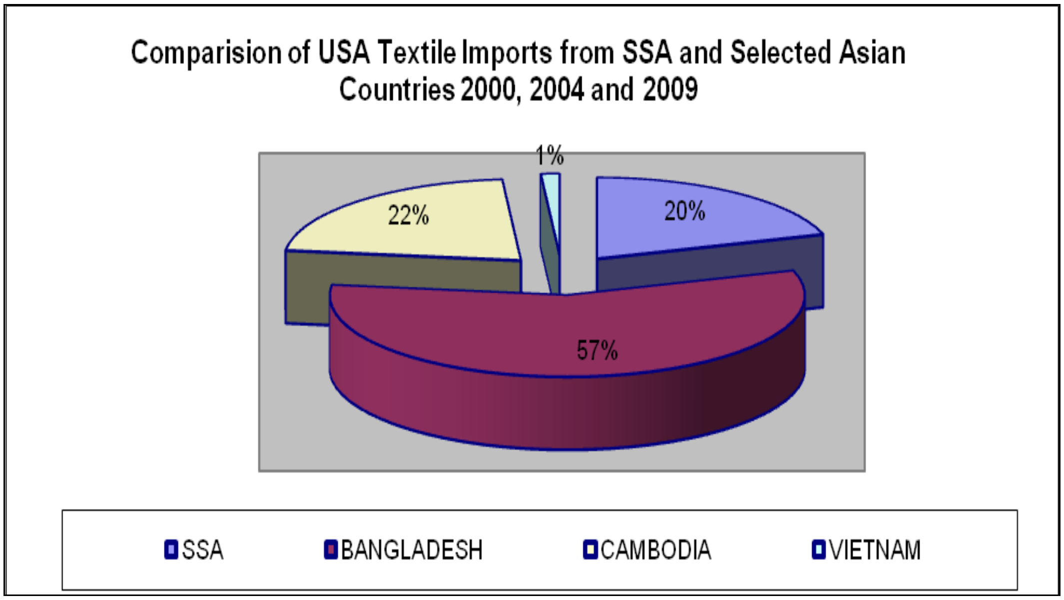
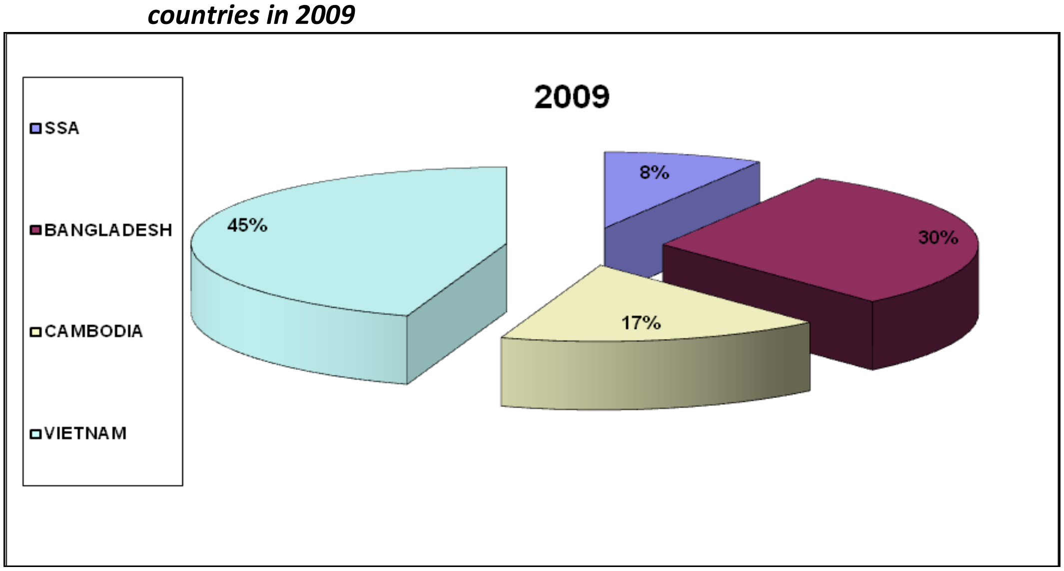


Figure 2: Comparison of USA Textile Imports from SSA and selected Asian LDC countries in 2009



(b) Investment Trends

The response of the global private sector to AGOA was their confidence of investing in Africa. The Asian and Chinese companies moved in large numbers to take advantage of the AGOA provisions. All these accomplishments were based on the US government assurances of preferential market access for textile and apparel manufactures carried out from Africa.

With the expiry of the MFA provisions in 2005, most of these Asian and Chine investors relocated to their home countries. The conclusion of the ongoing trade reform negations in Congress to expand DFQF access to all LDCs to include non-AGOA beneficiaries as well the Trans-Pacific Partnership (TPP) FTA will see the remaining companies relocate or close down. Africa's continued benefit in the USA market lie in expansion of domestic and regional investments in order to safeguard the complementary product lines along the value chain and the services sectors. Further there is need to diversify the markets and product range in order to secure the additional investments.

(c) Socio-economic impact

Besides employment, AGOA created opportunities for workers to learn lifelong skills, cross industrial linkages were also created. The new sector of textiles was integrated into the global economy. The participating companies can now benchmark their practices to globally accepted practices. The role of the private sector in SSA was entrenched into the development making processes.

During its first five years (2000-2004), the textile and apparel component had created over 300,000 direct new jobs and twice as many jobs indirectly as well as doubling the apparel imports. Of interest is the fact that the new jobs were predominantly for women and first time employees who otherwise had no opportunities for formal employment in other sectors of the economy. In all an estimated 5-10 million Africans were positively impacted by AGOA. AGOA has also assisted in building the regional chain beyond the context of the existing regional integration frameworks.

Lesotho and in part Swaziland textile industry is wholly based on AGOA, since almost none existed prior to AGOA. However with expiry of MFA, six international companies exited Lesotho in 2005 resulting in 7000 job losses. The Kenyan textile industry equally was revived because of AGOA has suffered the same fate. On the other hand Ethiopia, Mauritius and S. Africa had well-functioning integrated cotton-textile industries prior to AGOA, but AGOA created the additional impetus to expand and trade outside the traditional domestic and European markets.

Mauritius exports on the other hand were affected by deregistration of Madagascar as an AGOA beneficiary on account of governance issues. Most of the investors in SSA countries originated from China and Asian LDC countries in response to promises of AGOA. The investors have since relocated out of Africa with expiry of MFA in 2005 since the LDC market access provision coming along with expiry of MFA substantially reduced the benefits associated with AGOA.

Challenges of the cotton textile and Apparel industry in SSA

- ***Limitations on Production Capacities, Market Access and uncertainty of the future of AGOA***

Besides limitations on SSA production capacities, the combined effects of loss of market access preferences and the short-term nature of reauthorization of AGOA has served to undermine the SSA textile industry that had been created through AGOA initiative. This has been made worse by relocation of foreign investors and lack of additional investments. There is every likelihood that the AGOA beneficiaries shall not have developed the requisite capacity by 2012 to use local fabrics. The future of the textile industry in SSA depends on expanding local investment complemented by foreign investors.

Already the more competitive Asian LDC countries -Bangladesh, Cambodia, Vietnam- exports into the US market have grown by as much as 98% on duty paid basis since 2005 while those from SSA enjoying preferential AGOA status have declined by as much as 50% during the same period. Extending DFQF preferences of apparels of already more competitive Asian LDC countries with bigger production capacities would bring to an end the SSA textile and apparel sector as well the livelihoods of the many in the cotton, textile and apparel value chain.

Other challenges that the SSA textile sector continues to face include further global liberalization, narrow range of traded textile products; inadequate capacity for compliance with standards and market related demands, marketing and promotion programmes, and weak institutions.

- ***Loss of socio-economic benefits***

The socio-economic benefits coming along with increased employment, exports, cross industrial linkages shall be lost on a permanent basis without facilitation from AGOA

- ***Lack of Competitiveness***

The SSA region has demonstrated in the last ten years that it has the potential to participate in the global textile industry. However, its underdeveloped cotton, textile and apparel sectors have resulted in low VA content, denying the continent the socio-economic benefits of the cotton textile trade. Poor infrastructure conditions, such as inadequate and costly electricity, poorly maintained road networks, and limited access to international shipping, undermine the competitiveness of SSA textile and apparel exports by increasing production costs and limiting speed to market. However, some SSA countries, particularly those in southern Africa, do benefit from relatively better infrastructure conditions. Other challenges include outdated or low quality Production Technology, poor logistics and support incentives, limitations on manpower skills and associated low productivity.

Table 2: Competitiveness of SSA Textile Industry

Country	Electricity (US$/KWh	Transportation-Road density	Labour costs (US$/HR)	Productivity	Technology use	Business environment
Kenya	0.22	11	0.69	Low	Low	Weak
Ethiopia			0.70	Low	Low	Weak
Lesotho	0.04	20	0.62	Low	Low	Weak
Mauritius	0.09- 0.53	99	1.70	High	High	Stable
South Africa	0.02	30	1.75	High	High	Stable business environment
Swaziland	0.023	…..	0.78	Medium	Low	
Vietnam	0.05	……	0.38	High to moderate	Moderate	Stable
Cambodia	0.12-0.16	……	0.33	Moderate	Low	Stable
Bangladesh	0.08	184	0.22	High	High	Stable
Benchmarks						
China	0.07	……..	2.27	High	High	Stable
India	……..	……..	1.70	High	High	Stable

Source: Country Reports/Internet

- ***Technology and skills gaps***

  Use of low quality technology coupled with persistent shortages of skilled manpower in some trades compromises productivity and quality of products.

Impact of AGOA beyond 2015

(a) If AGOA is extended for a short term say 5 years

The SSA countries have passed a resounding verdict, that is, extension of the AGOA on short term basis shall be of no consequence, given the experience on the ground, whereby a number of companies have either relocated or closed down. The buyers have equally made up their minds and moved to the east and elsewhere for their sourcing. Additional investments are likely not to take place unless production is geared for the domestic and regional markets in which no demand exists as of present. In this regard countries like Ethiopia and S. Africa are the only ones that might report textile and apparel growth. The Asian LDC countries that are favoured by the opening of the global market through MFA will consolidate their hold in the US market.

(b) If AGOA is not extended at all

In the event AGOA is not extended beyond 2015, the SSA textile and apparel sectors including support industries are likely to close down. This follows from company flight arising from MFA expiry and the likely further liberalization under discussion in US Congress. There will be no incentive to deepen the cotton-textile chain. Since the Textile and Apparel sector is by far the largest industrial sector in some countries like Lesotho, its decline would definitely send a major shock wave throughout such vulnerable economies. Non-extension of the AGOA beyond 2015 will definitely see the end of the vibrant textile industry and associated industries in the region. As stated earlier, Asian countries global market share shall expand.

Proposals on Way Forward

The combined effects of DFQF treatment of apparel from non-AGOA LDC countries, FTAs with the Pacific Rim countries, the termination of the 3rd country fabric for SSA countries by 2012 and the uncertainty of the continuation of AGOA beyond 2015 all serve to destroy the SSA apparel industry revived through AGOA. USA imports from Asian LDC countries have risen sharply since 2005 while those from SSA have nosedived. Recommendations for the way forward are at two levels; country level and AGOA level. Priority is given to actions to be taken at AGOA level.

The future of AGOA in SSA

For AGOA to remain the cornerstone of US-Africa economic policy and trade relations, addressing poverty, there is urgent need to revisit the overall AGOA framework within the context of the global WTO commitments and proliferations of FTAs. In particularly there is need to lobby the US government to:

- Sustain the original intention of AGOA to alleviate poverty via “Trade not Aid”.
- Maintain the momentum and motivation that has picked up to re-build the African Fibre, textile and apparel value chain.
- Sustain the socio-economic benefits so far generated
- Continue giving hope to the foreign new investments, and the development of apparel manufacturing capacity of SSA that has resulted from AGOA.
- Facilitate continued integration of SSA to the global economy
- Safeguard SSA from unfair competition if DFQF status is extended to Asian LDCs.

In this regard, SSA through ACTIF should lobby and negotiate with the US government to:

1. **Extend the period of AGOA and AGOA IV beyond 2015 on a permanent basis** or a minimum of 10 years to promote SSA cotton sector in order to incentify investors and buyers to continue investing and sourcing from SSA; sustain the ongoing reforms in the cotton-textile chain that have continued to generate investment and prospects of employment opportunities, deepened the regional integration agenda at pan-African level.

2. **Extend the period of the “third country fabric” provision beyond 2012** (for a minimum of 10 years); to allow SSA countries to continue producing same quality products for the American market while further developing the cotton textile sectors.

3. **Extension of AGOA to non-sensitive Textile Products-**to diversify SSA product range exports

4. **Protect AGOA benefits from further erosion by the ongoing USA preference reform**s (TPP) and FTA arrangements. Consequently **Defer/postpone the introduction of DFQF status to Asian LDCs** as it would undermine the purpose of AGOA and AGOA IV.

5. **Introduce additional reforms on AGOA** along the Earned Import Allowance Programme (EIAP) provisions given to Haiti as well as imposing temporary quotas on Asian LDCs to allow SSA textile growth. This trading arrangement should nevertheless be secured with WTO by US jointly with SSA counties to seeking for waiver from WTO under SDT.

6. **Review of the AGOA rules of continued eligibility**, in particular those pertaining to terminal sanctions as was the case for Madagascar in 2009, since those paying the price have no voice. Further, regional and pan-African networks developed through inter-regional investments go to waste.

7. Prioritise global interventions on measures to support the SSA **industrial competitiveness, private development and Regional Economic integration** through industrial infrastructure development, building value chain competitiveness and the requisite capacities to benchmark compliance market requirements to international best practice.

8. **Encourage Sourcing from Africa** by building on AGOA additional initiatives similar to those adapted to Haiti after the devastating earth quake.

9. **Deter Unfair trade Practices** arising from subsidies, currency manipulations, child labour among others

10. **Continued TA to build the capacity of SSA textile industry through the US trade hubs**

Country level

At the country level, SSA countries have to address their competitiveness in the manufacturing sector in addressing national level poor infrastructural conditions and high input costs; low productivity levels; inefficient flow of goods and services and unfavorable business environment with a view to benchmarking to international best practice; enhance the efficiency of the transport and related service sectors of the ports, sustain technical skills trainings in order to increase productivity, investment incentives, and sustain reforms in the business environment and business climate including exploring the option of commercial representation in the US market. Further, the cotton-textile chain has to be developed in a wholesome way.

CONCLUSION

SSA countries have benefitted immensely from AGOA market opportunities especially in the textile and apparel sector. However, the socio-economic developments ushered in by AGOA have been eroded substantially from the MFA expiry which exposed the SSA countries to intense competition from the more efficient Asian LDC countries. But there is hope especially now that SSA countries are taking on pan-African approach to salvage AGOA. ACTIF should not tire in presenting SSA case to the US congress. Continued AGOA benefits shall facilitate the SSA countries built the requisite capacities to produce for trade in the various RECs and EAC.

1.0 INTRODUCTION

1.1 Background

The African Growth and Opportunity Act (AGOA), United States Trade Act, is a unilateral trade programme that significantly enhances U.S. market access for (currently) 41 Sub-Saharan African (SSA) countries. The Act originally covered the 8-year period from October 2000 to September 2008, but amendments signed into law by U.S. President George Bush in July 2004 further extend AGOA to 2015. At the same time, a special dispensation relating to apparel was extended by three years to 2007. On 20 December 2006, key changes to AGOA were signed into law, extending the garment provisions to 2012. In June 2007, a revised textile certificate of origin was published to give effect to the "abundant supply" provisions contained in the most recent legislative changes. These changes were repealed in 2009. A new Bill was recently published.

AGOA builds on existing U.S. trade programs by expanding the (duty-free) benefits previously available only under the Generalised System of Preferences (GSP) program. Duty-free access to the U.S. market under the combined AGOA/GSP program stands at approximately 7,000 product tariff lines, including the roughly 1,800 product tariff lines that were added to the GSP by the AGOA legislation. Notably, these include items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, steel and others.

Both local and foreign private sector responded positively to the AGOA initiative. Foreign investors set up businesses in the continent. The buyers also sourced on more long term basis from the region. This in effect assisted African based businesses to benchmark their capacities, quality and related delivery logistics to best practice. In the textile and apparel sector, more that 300,000 direct jobs and twice as many indirect jobs were created in the industry. Of interest is the fact that the new jobs were predominantly for women and first time employees in the informal who otherwise had no opportunities for formal employment in other sectors of the economy. The lives of an estimated 5-10 million Africans were improved by AGOA. AGOA has also assisted in building the regional chain beyond the context of the existing regional integration frameworks.

Apart from a few SSA countries endowed with oil and minerals, the other major beneficiary sector since the passing of the AGOA has been the textile sector until January 1, 2005 when textile quotas were phased out. During this period the SSA AGOA beneficiary countries have continued to face substantive competition from the more efficient Far East countries of Asia, China among others (Bedi, 2010).

All across Africa, textile producers and exporters are reeling from the impact of new trade rules that took effect in January 2005 with expiry of MFA provisions. The rules, negotiated at the World Trade Organization (WTO), opened up to market forces a sector that had been protected for more than 30 years. It did so by ending a quota system in industrial nations which as a side effect had provided a ready market for textiles and apparel from poor African and other developing countries.

The phasing out of the old system has already cost Africa more than 250,000 direct jobs over the last few years and twice as many indirectly, as reported by the International Textile, Garment and Leather Workers' Federation (ITGLWF), leaving more than a million people without stable incomes. Most jobs have been lost in Lesotho, South Africa, Swaziland, Nigeria, Ghana, Mauritius, Zambia, Madagascar, Tanzania, Malawi, Namibia and Kenya. In addition the socio-economic gains so far achieved stand to be lost since loss of market access on account of non-competitiveness of the SSA region has resulted in massive closures and relocation of businesses out of the continent.

At a recent meeting of the Africa branch of the ITGLWF in Cape Town, South Africa, union members called on African governments to convene an urgent continental conference on the future of the clothing, textile and footwear industries. Its purpose was to enable governments, trade unions and investors to develop plans to respond to the current crisis by increasing efficiency in the sector, attracting investment and improving workers' welfare.

The old quota system, known as the Multi-Fibre Arrangement (MFA), had limited textile and clothing exports by producing countries to the world's biggest markets, in the US, Canada and European Union (EU). Its primary aim had been to protect those countries' domestic textile industries from more efficient producers emerging in Asia. However, by doing so, the system also gave advantages to many smaller textile-exporting countries that were less constrained by quotas or enjoyed preferential market access into the EU and the US. As a result, their textile exports to the industrial world thrived.

But with the end of the old system, these same countries are now finding themselves squeezed out of the market by unfettered competition with giant, highly efficient producers in countries such as China, India and other Asian LDC countries.

1.2 Objectives

With the expiry of MFA provisions- leading to substantial liberalization of the textile and apparel sectors in compliance with WTO rules-, the SSA textile and apparel trade has declined substantially, and the net beneficiary has been China and Asian LDC countries. AGOA has been the lifeline of the cotton, textile and apparel industry in SSA. Non-extension of AGOA beyond 2015 spells doom for SSA cotton, textile and apparel sectors. ***It is prudent therefore to avert such a catastrophe by addressing what needs to be done for SSA textile and apparel industry to attain a level playing field and benchmark its competitiveness to that of its Asian counterparts whose efficiency comes along with better competitive prices.***

Since each of the participating SSA signed onto the AGOA agreement individually, ACTIF has found it prudent to consolidate the voice of the SSA textile and apparel producers to lobby the US Congress to:

1. Extend the period of AGOA and AGOA IV beyond 2015 to promote SSA cotton sector as originally intended;
2. Extend the period of the "third country fabric" provision;
3. Defer/postpone the introduction of DFQF status to Asian LDCs as it would undermine the purpose of AGOA and AGOA IV.
4. Prove that failure to guarantee (1-3 above) shall:
    - Negate the intention of AGOA to alleviate poverty via "Trade not Aid".
    - Inadvertently remove the motivation to build an African Fibre, textile and apparel value chain.
    - Not only discourage new investments, but reverse the development of apparel manufacturing capacity of SSA that has resulted from AGOA.
    - Create unfair competition if DFQF status is extended to Asian LDCs.

As stated in ACTIF's mandate, the textile and garment performance review across SSA, in particular after the expiry of the MFA in 2005, is expected to collate success stories and challenges with regard to local conditions, markets, policies in place that yield or inhibit specific innovations of the cotton and textile industry. Consequently, ACTIF shall consolidate and build consensus on the position of the African cotton, textile and apparel sectors to facilitate better negotiations at the national, regional and international trade and development forums; identify actions to be dedicated to the specific concerns of the industry; and to promote improved competitiveness in both the regional and global market place.

Towards this end, ACTIF in championing the sectors interests will also benchmark the operations of the industries in the continent with contemporary competitions at the market place, with specific reference to the Asian countries, in order to address any gaps where feasible or request for preferential treatment in accordance with WTO provisions. For a start ACTIF is targeting the AGOA initiative in the American market as part of its wider initiative to revamp the cotton and textile industry.

1.3 Methodology

A comparative analysis of the impact of AGOA on selected SSA countries and Asian LDC countries post MFA expiry in 2005 with regard to trade performance, investment and socio-economic impact. Further the analysis will also explore the role of government interventions (direct and indirect incentives) in AGOA performance in the SSA and Asian LDC countries. Finally, the analysis will be dedicated on projected impact of AGOA on the SSA countries taking into account the competition from Asian LDC countries, if extension is short term (less than 5 years) or there is no extension. On the basis of the analysis of the likely impact of AGOA post 2015, the SSA countries shall formulate a position to lobby the American government with a view to maintaining the preferential AGOA market access to the exclusion of other more efficient LDC countries.

The SSA countries to form the basis of textile and apparel competitiveness study include Kenya, Ethiopia, Mauritius, Lesotho, Swaziland and S. Africa. The Asian LDC countries for benchmarking the SSA comparative competiveness and to guide in determining the future direction of AGOA after 2015 are Bangladesh, Cambodia and Vietnam.

2.0 PERFORMANCE OF AGOA IN THE AFRICAN COUNTRIES IN RELATION TO THE SELECTED ASIAN COUNTRIES

2.1 Trade Performance and Economic Growth

As reported by Bedi (July, 2010), the 10th AGOA Anniversary rightfully acknowledged AGOA's transformative effect on the African economies, in which in a number of cases, it opened new frontiers of engagement with USA. During its first five years (2000-2004), the textile and apparel component had created over 300,000 direct new jobs and twice as many jobs indirectly. US apparel imports more than doubled in the first five years. Energy related products realized the highest growth. In all an estimated 5-10 million Africans were positively impacted by AGOA.

The SSA region in general has sustained positive growth rates in the last 10 years. This period has also been characterized by increased trade and investment, with minimum of growth rates of 5% over a five year period (1/3 based on extractive industries and 2/3 coming from structural changes), with performance slowing down in 2008 due to financial crisis (World Bank, 2010).

AGOA for the SSA countries is the single initiative credited with revival of the textile and apparel industry and to some extent the revival of cotton growing. In addition AGOA opened up the US market for trade in textiles and extractive industries. Lesotho and in part Swaziland textile industry in whole is based on AGOA, since none existed prior to AGOA. The Kenyan textile industry equally was revived because of AGOA. On the other hand Ethiopia, Mauritius and S. Africa had well-functioning integrated cotton-textile industries prior to AGOA, but AGOA created the additional impetus to expand and trade outside the traditional domestic and European markets.

However, with the expiry of the MFA in 2005, SSA countries experienced stiff competition from the Asian LDC counterparts who are more efficient. Further, the Asian companies who had located in Africa to take advantage of AGOA benefits closed shop after 2005 (on expiry of MFA) to return to their home countries in which production costs are lower and productivity is higher and thus now more competitive.

As presented in Table 2.1, nearly all the SSSA countries (under study), experienced declining export performance with expiry of the MFA in 2005. S. Africa and Ethiopia with well developed domestic markets were not as badly affected with the expiry of the MFA.

Table 2.1: Exports to US under AGOA / GSP provisions for selected Africa AGOA eligible countries 2003 – 2008 (US $ '000)

Country	2004	2005	2006	2007	2008	Growth % (2007 v/s 2008)
Lesotho	447,803	388,584	384,591	379,617	338,940	-10.7
Madagascar	316,817	275,466	231,611	283,807	279,293	-1.6
Kenya	286,688	278,267	272,911	255,012	255,655	0.3
Mauritius	160,468	152,591	157,502	119,906	101,742	-15.1
Swaziland	176,853	176,117	149,815	141,410	125,566	-11.2
Ethiopia	35,623	43,885	50,940	107,202	114,683	7.0
South Africa	4,689,548	4,893,176	6,058,239	7,528,705	7,987,446	6.1

Source: *www.agoa.info/index.php*

On the other hand, the expanding trade performance of the Asian LDC countries are supported by the consistent high growth rates the region has been experiencing. Further, globalization has created more lucrative markets for these countries because of their competitiveness. The textile and apparel sector in particular experienced high growth because of the removal of the restrictive quotas arising from MFA provisions. In addition, returning investors from SSA region helped to boost the textile export performance. Further, the Asian LDC countries diversified export destinations (EU, USA, African region) has helped boost the regions development. The US remains the main export destination accounting for more than 60% of the textile exports.

2.2 Export Performance post MFA expiry in 2005 for SSA and Asian LDC countries

Except for S. Africa, the impact of MFA expiry in 2005 on the rest of the SSA countries in response to AGOA benefits translated into decline in export performance, due to ***loss of competitiveness.*** Mauritius exports on the hand were affected by deregistration of Madagascar as an AGOA beneficiary on account of governance issues. Some of the Mauritian companies had relocated to Madagascar on account of cheaper labour, and their production fed into the domestic chain.

Most of the investors in SSA countries originated from China and Asian LDC countries in response to promises of AGOA. The same investors relocated out of Africa with expiry of MFA in 2005 since the LDC market access provision coming along with expiry of MFA which wiped out the benefits associated with AGOA. The same companies relocated with their buyers thus reducing exports from Africa.

From Table 2.1, exports declined from the SSA countries (Kenya, Ethiopia, Lesotho, and Mauritius) started in earnest in 2007, with Lesotho and Swaziland experience major declines in subsequent years since most of the investors taking advantage of AGOA were foreign. Mauritius and Kenya in which a number of local investors had taken advantage of the AGOA opportunities suffered mild declines ***(Graph2.1)***

The export destination of most of the SSA apparel is the US market, with a number of countries (Kenya, Swaziland, Lesotho) exporting up to 90% of the textiles to the US under AGOA. By 2009, US apparel imports from Africa had fallen by nearly half (48%), while at the same time apparel imports from Asia had sky rocketed (Table 2.2) by more than 50%. Any change tampering with the US-AGOA market has irreversible impact on the Textile and apparel industry in SSA.

Table 2.2: Comparison of USA Textile Imports from SSA and selected Asian Countries, 2004-2009

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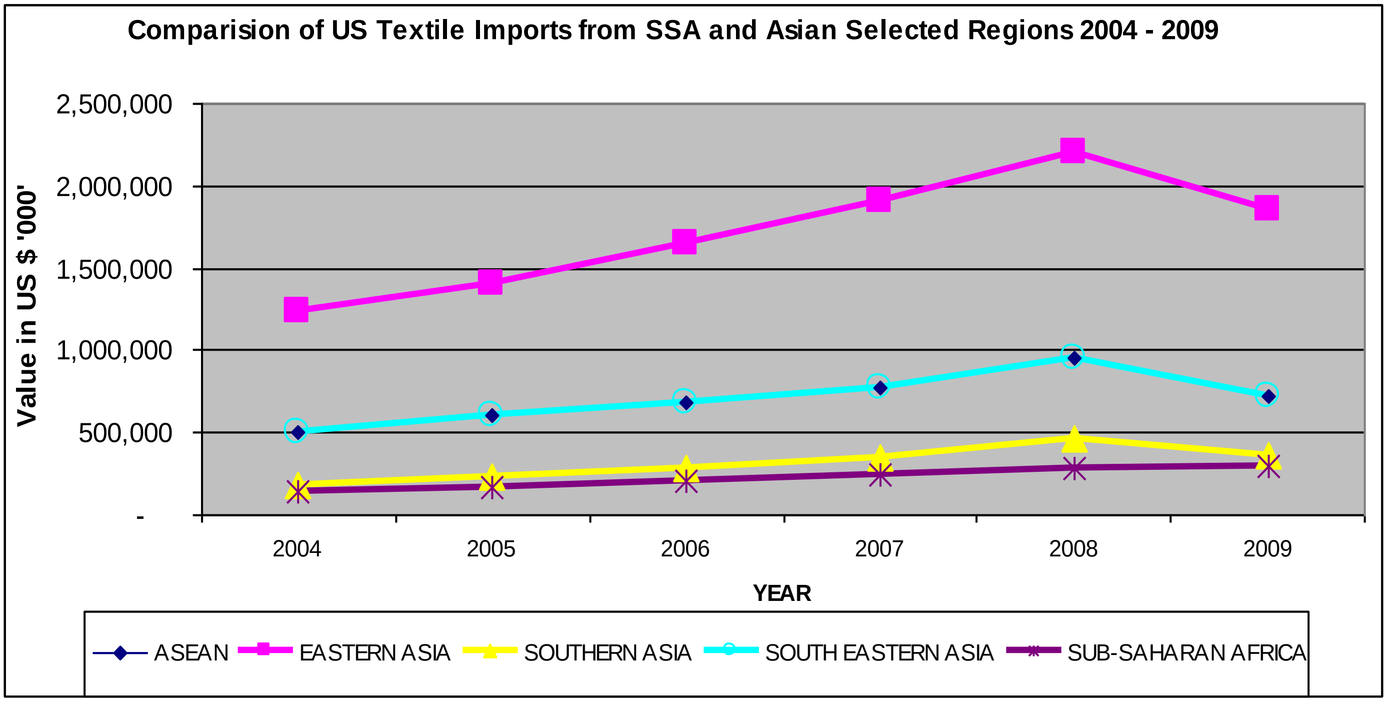
Source: US Dept of Commerce, Office of Textiles and Apparel

Graph 2.1: Comparison of USA Textile Imports from SSA and selected Asian Countries, 2004-2009



Even prior to expiry of MFA in 2005, the selected Asian LDC countries experienced healthy textile export performance. With the relocation of the Chinese and Asian companies out of Africa, back to their respective countries with the expiry of MFA in 2005, the selected Asian LDC countries experienced tremendous growth through better competitiveness (Table 2.2) and increased investment since there was increased market on account of LDC status.

By 2009, the Asian LDC countries as presented in Table 2.2 experienced tremendous growth at the expense of the SSA countries. Bangladesh recorded a growth rate of 71% between 2004 and 2009. Growth rates for Cambodia and Vietnam over the same period were 31% and 98% respectively, with these three Asian countries exporting more than 10 times the volume of apparel in comparison with all African countries combined.

The Asian LDC countries are persistently displacing the SSA African countries in textile exports into the US market. AGOA preferences for the SSA countries were eroded by the expiry of MFA.

As bad as this situation may sound for Africa, it could get worse. Legislation proposed in Congress to reform US trade preference programmes would expand duty free quota free eligibility to apparel products from fully competitive non-AGOA LDC countries- including Bangladesh and Cambodia. Further, the US is currently negotiating a new free trade agreement (FTA)- Trans-Pacific Partnership (TPP)- with a group of Pacific Rim countries including Vietnam. Unless the SSA countries position themselves and present their case for continued AGOA preferences for consideration within the frameworks of these negotiations, the AGOA benefits accumulated so far stand to be lost forever.

Table 2.3 and Graphs 2.1 and 2.2 confirm the increase of Asian trade with US at the expense of SSA. In fact SSA exported a paltry 8% in 2009 compared to huge proportions of single selected Asian countries such as Cambodia (45%); Bangladesh (30%) and Vietnam (17%).

Table 2.3: Textile and Apparel Export Performance under AGOA post MFA expiry among SSA vs Asian LDC countries, 2003-2009

EXPORT FLOW OFROM SELECTED AFRICAN AND ASIAN COUNTRIES TO USA 2003 -2009									
	VIETNAM	**CAMBODIA**	**BANGLADESH**	**SWAZILAND**	**LESOTHO**	**SOUTH AFRICA**	**MAURITIUS**	**ETHIOPIA**	**KENYA**
2003	3,939,559	1,128,563	1,883,191	217,540	371,434	3,844,168	325,258	22,721	40,891
2004	5,026,606	1,311,580	2,169,308	135,430	663,579	4,689,548	285,145	35,623	48,231
2005	5,927,444	……	2,662,019	56,166	388,584	4,893,176	139,380	43,885	228,094
2006	7,850,415	…..	3,123,244	48,855	384,591	6,058,239	181,297	50,940	291,277
2007	10,111,428	……	3,374,525	41,136	379,617	7,528,705	153,265	107,202	285,763
2008	11,902,834	1,970,288	…….	125,566	338,940	7,987,446	139,924	114,683	229,605
2009	……	…….	…….	94,164	277,046	4,859,695	112,763	73,470	194,641
2010	…..	…….	…..	……	…..	……	……	…..	…..
Source: UN COMPTRADE and www.agoa.info/index.pnp									
….. Data not Available									

Graph 2.2: *Export Flows from selected SSA and Asian LDC countries*

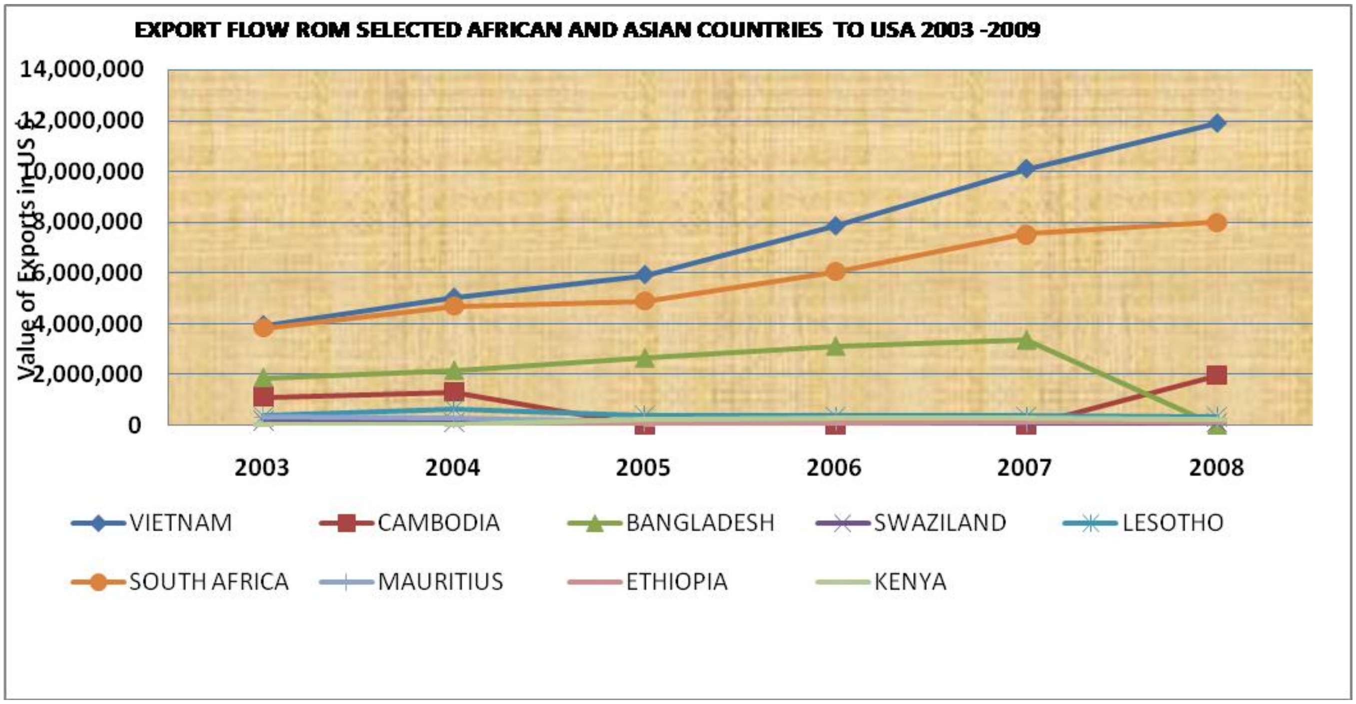


Figure 2.1 ***Comparison of USA Textile Imports from SSA and selected Asian LDC countries in 2005***

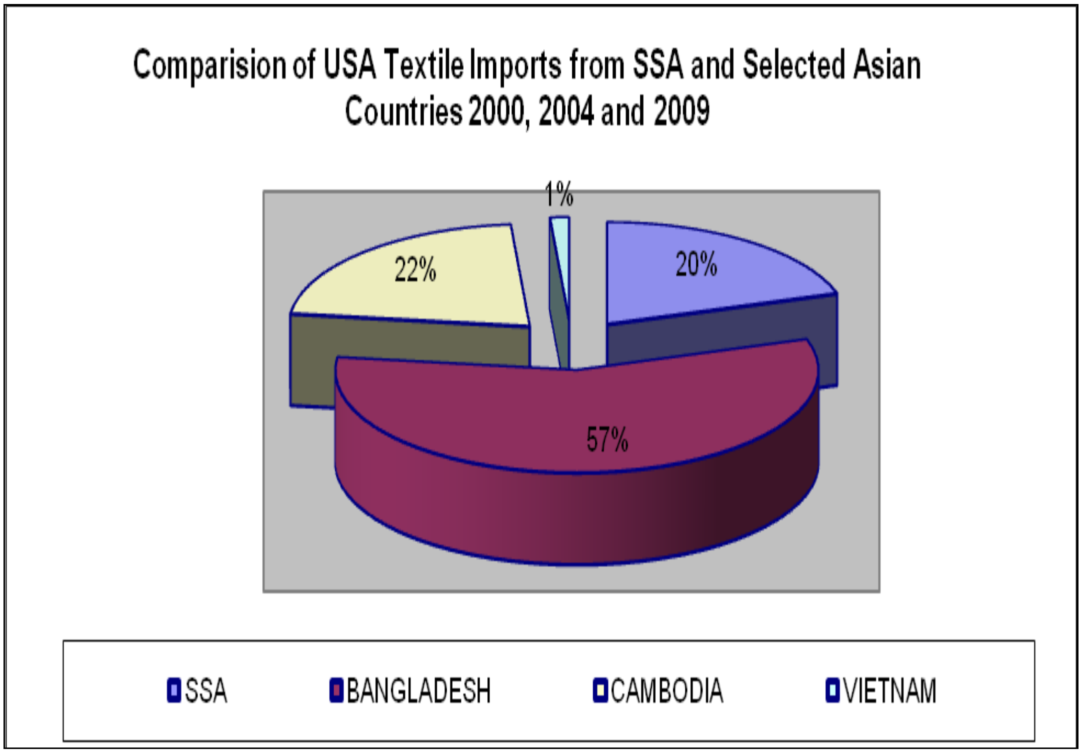
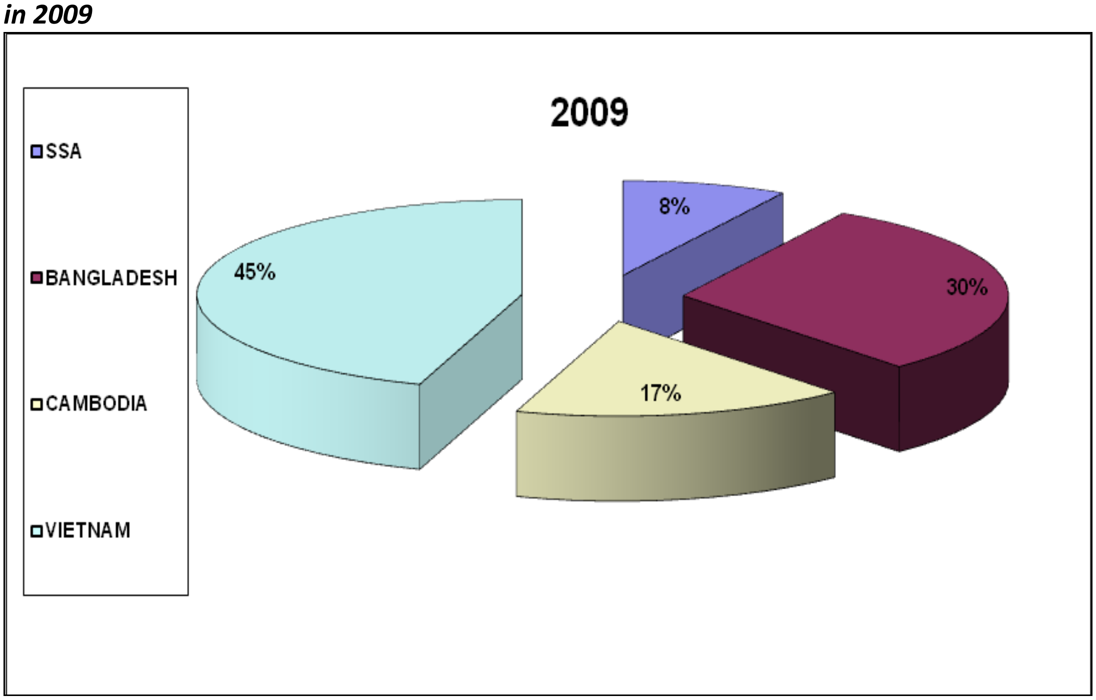


Figure 2.2: Comparison of USA Textile Imports from SSA and selected Asian LDC countries in 2009



2.2 Trends of Investment in Textile and Apparel Industry

The response of the global private sector to AGOA was their confidence of investing in Africa. The Asian and Chinese companies moved in large numbers to take advantage of the AGOA provisions. All these accomplishments were based on the US government assurances of preferential market access for textile and apparel manufactures carried out from Africa.

With the expiry of the MFA provisions in 2005, most of these Asian and Chinese investors relocated to their home countries. The conclusion of the ongoing trade reform negations in Congress to expand DFQF access to all LDCs to include non-AGOA beneficiaries as well the Trans-Pacific Partnership (TPP) FTA will see the remaining companies relocate. Africa's continued benefit in the USA market lie in local investment in the industry. Further there is need to diversify the markets in order to secure the investments. South Africa was the exception in that most of the investors were local. In addition their apparel and textile markets are diversified.

A number of companies within the region, in particular those of Mauritius and S. Africa relocated to the Madagascar (from Mauritius) and to Swaziland and Lesotho from S. Africa specifically to produce for beneficiary countries in the SSA. In essence this promoted regional integration as well as addressing the cardinal objective of employment and poverty.

Additional investments in the service sectors in Mauritius were carried out purposely to service the AGOA expanding trade opportunities.

Table 2.4: Textile and Apparel Investments in Selected Asian LDC countries, 2003-2010

	CAMBODIA		**BANGLADESH**	
	FIRMS	**EMPLOYEES**	**FIRMS**	**EMPLOYEES**
2003	197	234,000	……	1,800,000
2004	219	269,800	6,569	1,800,000
2005	247	283,900	7,686	1,800,000
2006	290	334,000	7,829	2,000,000
2007	292	353,000	8,283	2,500,000
2008	284	324,800	8,594	2,600,000
2009	258	289,400	8,785	3,500,000
2010	242	275,700	………	………

Source: Country Reports

Table 2.5: Textile and Apparel Investments in Selected SSA countries, 2003-2010

	SWAZILAND		LESOTHO		S.AFRICA		ETHIOPIA		KENYA	
	FIRMS	EMPLOYEES	FIRMS	EMPLOYEES	FIRMS	EMPLOYEES	FIRMS	EMPLOYEES	FIRMS	EMPLOYEES
2003	……	….	…..	44,000	…..	…..	….	….	40	37,000
2004	27	30,000	49	53,000	1169	98,000	78	24,000	36	37,000
2005	18	12,000	42	40,000	1138	83,000	88	22,000	25	42,000
2006	17	-	42	41,000	1048	74,000	78	24,000	25	32,000
2007	17	-	42	41000	1038	72,000	63	17,000	22	29,000
2008	17	-	42	40,000	1052	67,000	58	26,000	28	26,000
2009	18	17,000	42	38,000	1025	62,000	58	36,000	26	…..
2010	18	17,000	…	….	1001	59,000	72	36,000	26	…….

Source: Country Reports, Internet

2.3 Investment Environment and Incentives

2.3.1 Direct and Indirect Government Interventions and Incentives in SSA countries Textile Industries

The SSA Government incentives are by and large similar, constituting basically of fiscal incentives, removal of administrative bureaucracy, investment guarantees and protection, easy access to investment and trade finance, infrastructure development and easy access to FE and repatriation for those countries that still maintained controls.

(a) Fiscal based

- -10 year corporate income tax holiday and a 25% tax rate for a further 10 years thereafter while others like Lesotho had unlimited tax holidays for exports outside SACU;
- 10 year Withholding Tax holiday on remittance of dividends; Tax Remission for Exports Office (TREO) Scheme; Manufacture under Bond (MUB); and Duty drawback
- -Loss Carry forward
- 100% investment deduction over 20 years on initial investment.
- -capped manufacturing profit tax of 10% for Lesotho
- -duty free imports of inputs

(b**) Administrative**

- -Rapid project approval and licensing (30 days);
- One-stop-shop service by the EPZ

© Access to financing

- -Access to offshore borrowing;
- -Loan provision
- -access to FE for those countries still under control regimes
- -Import credit facilities
- -Export finance facilities

(d) Infrastructure

- Ready factory buildings for rent or purchase

(e) Liberalization of capital accounts

- Remittance of Funds;

(f) Investment Guarantee and Protection;

However, Mauritius diversified her incentives to include special packages for spinning companies; duty remission and concessional prices for factory land; waiver of taxes on dividends and a plethora of supportive Funds. S. Africa on the other hand undertook critical infrastructure development to support the textile industry and dedicated Technology and Human Resources for Industry Program (THRIP). Swaziland invested in competitively priced custom built factory premises; and guaranteed Tariff protection for the textile investors.

2.3.2 Direct and Indirect Government Interventions and Incentives in Asian LDC Textile Industries

The Asian LDC countries enjoyed similar government incentives to those offered by the SSA governments. However, there were stronger forward and backward linkages across sectors re-enforcing industries to enhance value addition. Adequate capacities across the value chain are well developed making it possible to produce more cheaply. Investment guarantees and protection are enshrined in the reformed legal and regulatory frameworks and policies. Other incentives include:

- Low tax regimes
- Duty free import of raw materials
- Tax holidays for specified periods of time
- Private property rights;
- Liberalized product, financial, capital accounts and services markets;
- Cash incentives and subsidies for textile and garment industry;
- Bonded warehouse facility ;
- Duty drawback facility ;
- Duty free and tax free import of raw cotton by the spinning industries;
- 1% import duty on machinery & spares for export-oriented industries ;
- Remittance of Royalty and Residence Permits;
- Depreciation allowances

2.3.3 Comparative Analysis of Government incentives in SSA and Asian LDC countries

Elaborate Private and Public Sector Profiles – embracing the private sector initiative for industrialization and economic development; improving legal and regulatory framework to be compatible with the open-door policy and to be compliant with the integration requirements of WTO agreement; various fiscal measures or incentives for promoting investment include among others attractive Corporate Income Tax ; and Capital Assignment Profits Tax have been offered by African and Asian countries government.

Others include treatment of gains on transfers of interests (as opposed to shares) in a foreign invested or for instance Vietnamese enterprise are subjected to 28% CIT; Value Added Tax: VAT system; Special Sales Tax (Excise tax); Foreign Contractor withholding Tax: ; Import-Export Tariffs.

The private sector also invests regularly in high-tech technology to meet the ever changing customer tastes as well as enhancing competitiveness.

Production Capacities and Competitiveness

(a) Production Capacities, 2009

Table 2.6: Production Capacities

Country	No of firms	Value chain	Output destination
Kenya	26	• 3-Vertically integrated firms • Rest rely on imported inputs • Low cotton production • Narrow product range	• Production for export into the US market
Ethiopia	58	• 8-integrated firms • Production of inputs (acrylic, silk, wool, nylon • Narrow product range	• Bulk of Production for domestic market • Production for export to US market
Lesotho	42	• 1-vertically integrated denim textile mill • Other inputs are imported mainly from Asia • Lack of skilled manpower • Devastation by HIV/AIDS •	• Production for export to US market
Mauritius		• Well developed large textile industry • Inputs produced locally for domestic use and export into the region • Textile industry is one of the key drivers to the economy	• EU and US markets
South Africa	1025	• Full developed integrated cotton-textile-apparel industries • 11 firms producing yarn • 7 produce accessories • 9 firms are vertically integrated •	• Domestic including regional market • EU market (principle) • Diversified into US market
Swaziland	18	• 1-integrated textile firm • Other inputs are imported	• Wholly for US market
Vietnam	2876	• Fully fledged industries in fibre production, fabric production and upstream garment production • Suitable infrastructure for production • High quality inputs at relatively competitive prices • Suitable business environment • Extensive use of ICT in production processes • Ease of access to inputs • Special preferential incentive regimes for	• Strong integration to the global markets through bilateral 72 bilateral trade and double taxation agreements • Exports to Europe and US markets

Country	No of firms	Value chain	Output destination
		the textile sector • Transfer pricing	
Cambodia	258	• Limited integration • Low production capacity	
Bangladesh	8785	• Heavy on garment production • Fully developed integrated chains • Suitable production infrastructure • High quality inputs at competitive prices • Ease of access to well priced inputs including financial services • Preferential incentives to the textile sector • Non-cash incentives • Suitable business climate	• EU and US markets • Other global markets

Source: Country Reports

(b) Competitiveness of SSA

Table 2.7: Competitiveness of SSA Textile Industry, US$

Country	Electricity (US$/KWh	Transportation-Road density	Labour costs (US$/HR)	Productivity	Technology use	Business environment
Kenya	0.22	11	0.69	Low	Low	Weak
Ethiopia			0.70	Low	Low	Weak
Lesotho	0.04	20	0.62	Low	Low	Weak
Mauritius	0.09- 0.53	99	1.70	High	High	Stable
South Africa	0.02	30	1.75	High	High	Stable business environment
Swaziland	0.023	…..	0.78	Medium	Low	
Vietnam	0.05	……	0.38	High to moderate	Moderate	Stable
Cambodia	0.12-0.16	……	0.33	Moderate	Low	Stable
Bangladesh	0.08	184	0.22	High	High	Stable
Benchmarks						
China	0.07	……..	2.27	High	High	Stable
India	……..	……..	1.70	High	High	Stable

Source: Country Reports, Internet

Table 2.8: Log frame on Aggregated Analysis of the Performance of AGOA in the African Countries in relation to the selected Asian Countries-taking into account investment environment and incentives

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
SELECTED AFRICAN COUNTRIES				
KENYA	- Vertically integrated with firms producing cotton (including organic) and synthetic yarn, and knitted and woven fabric for use in apparel and mainly exported to the United States and the EU. - Some yarn and fabric is also sold regionally in the COMESA - The textile industry has however contracted since the 1990s and currently consists of three vertically integrated firms and a few smaller, non- integrated firms	**U.S. or similar markets** • Organic cotton yarn • Organic cotton knit fabric • Yarn and fabric of cotton/manmade-fiber blends • Thread **Local or regional markets** • Woven fabric for blankets • Acrylic yarn	**Competitive advantages:** • export-oriented apparel industry • relatively skilled labor **Competitive disadvantages:** • Poor infrastructure :poor roads, rail network • High-cost electricity • Limited and high cost of financing for new equipment	- 10 year corporate income tax holiday and a 25% tax rate for a further 10 years thereafter; - 10 year Withholding Tax holiday on remittance of dividends; Tax Remission for Exports Office (TREO) Scheme; Manufacture under Bond (MUB); and Duty drawback - 100% investment deduction over 20 years on initial investment. - Rapid project approval and licensing (30 days); - Access to offshore borrowing; - One-stop-shop service by the EPZ - Ready factory buildings for rent or purchase
	- Eight vertically	**U.S. or similar markets**	**Competitive advantages:**	Investment Incentives

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
ETHIOPIA	integrated textile mills, along with stand-alone spinning mills for yarn and thread production. - Production of acrylic yarn, nylon fabric, woolen and waste-cotton blankets, bed sheets, and sewing thread. - Cotton and silk yarn for domestic hand-loomed production of niche products, e.g. home furnishings, for export to the USA, Canada, and Europe	• Cotton yarn • Hand-loomed silk and cotton fabric **Local or regional markets** • Woven fabric for blankets • Acrylic yarn • Nylon fabric • Sewing thread	• Large potential domestic apparel market • Domestic production of raw materials (cotton, silk) • Stable political and business environment • Access to government-supported investment incentives and financial assistance **Competitive disadvantages**: • Import competition from used clothing • Low cotton production; cotton contamination • Poor transportation infrastructure • Underutilized industrial capacity • Outdated machinery and equipment • Low labor productivity • Lack of skilled labor	-Customs Duty Exemption e.g. 100% exemption from the payment of import customs duty and other taxes levied on imports is granted to investment capital goods and construction materials necessary for the establishment of a new enterprise, -Income Tax Exemption; -Loss Carry forward; -Remittance of Funds; -Investment Guarantee and Protection; -One-Stop Shop Service; -Loan Provision; -Duty Draw-Back Scheme; -Voucher Scheme; -Bonded Manufacturing Warehouse Scheme
LESOTHO	- One vertically integrated denim textile mill that spins cotton yarn, dyes the yarn, weaves the fabric, and cuts and sews the finished denim jeans. - Exports woven fabric to other apparel-producing	U.S. or similar markets • Cotton yarn (for knit and woven) • Knit cotton fabric • Denim fabric	**Competitive advantages:** • Export-oriented apparel industry • Government investment support for plant acquisitions **Competitive disadvantages:** • Poor water/wastewater and	-- Unimpeded access to foreign exchange. -Export Finance Facility; -Long-term loans. -The existence of an import vat credit facility provides input tax credit upon importation and local

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
	African countries. Major exports are to the U.S. market.		internal transport infrastructure • Low labor productivity • high HIV/AIDS prevalence rates • lack of skilled labor	purchasing of raw materials and capital goods. - 0% tax on income tax generated from exporting manufactured goods outside of Southern African Customs Union (SACU); - A permanent maximum manufacturing tax rate of 10% on profits. - No withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders. -Free repatriation of profits derived from manufacturing companies. -Double taxation agreements with the Federal Republic of Germany, the Republic of South Africa, Mauritius and the United Kingdom.
MAURITIUS	- Industry is concentrated among 10 large textile and apparel groups that collectively account for 75 percent of total textile and apparel exports.	U.S. or similar markets • Cotton yarn • Knit cotton fabric • Denim fabric	**Competitive advantages:** • Export-oriented apparel industry • Market linkages with EU apparel buyers • Favorable business environment	A new set of fiscal package include: 10 year tax holiday for spinning companies; Unrelieved loss carried forward under the Income Tax Act; Special investment tax credit for investors

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
	- The textile and apparel input industry in Mauritius produces yarn and knit fabric mostly for vertical operations, but also for local and regional apparel manufacturers. - Mauritius exports textile and apparel inputs to the region and finished apparel primarily to the EU.		• Government support in product and market diversification • Relatively modern machinery and equipment • Shorter lead times to the region and to some EU customers • Availability of skilled labor **Competitive disadvantages:** • Small domestic apparel market • Increased labor costs due to labor shortages • Long lead times to the United States and to some EU customers • Increasing land and energy costs • Additional costs associated with geographic isolation	subscribing at least 20% to the share capital of a spinning company; Any unrelieved special tax credit may be carried forward for a period 5 consecutive income years following the year of investment; Land at concessionary rates at La Tour Koenig Industrial Estate; 4.4% registration duty on purchase of land and buildings for industrial purposes; Equity fund from the National Equity Fund Ltd; Flexibility in employment of expatriates; Duty remission on construction materials; Zero customs duty and VAT on raw materials and equipment; No tax on dividends; No capital gains tax; Free repatriation of profits and dividend; 60% remission of customs duties on purchase of buses of 15-25 seats used for transportation of workers and 50% relief on personal income tax for two

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
				expatriates among others
SOUTH AFRICA	- The textile sector is relatively large and encompasses the full range of manufacturing operations, including production of fiber, thread, yarn, knit and woven fabric, non woven, trim and accessories, and dyeing and finishing operations. - There are currently 11 firms producing yarn. Five firms manufacture non woven, and reportedly seven firms produce trim, including elastic, buttons, zippers, and similar items. - Nine firms are vertically integrated, manufacturing either yarn through fabric, yarn through finished apparel, or yarn through household textiles.	U.S. or similar markets • Cotton yarn • Knit cotton fabric • Technical textiles • Performance fabric • Industrial textiles • Work wear fabric • High-quality worsted fabric Local or regional markets • Carded and combed fibers, yarn, knit and woven fabric, non woven fabric, trim and accessories	**Competitive advantages**: • Large domestic apparel industry • Developed infrastructure (transport, power, water) • Favorable and stable business environment • Large and developed textile industry **Competitive disadvantages**: • High labor costs • Inflexible labor market • Lack of skilled labor in the industry • Lack of management, marketing, and technical skills • Lack of investment • Long lead times from order to delivery • Highly volatile exchange rate	Accelerated Depreciation Allowance; Agro-Industries Development Finance; Assistance by Individual Primary Steel Producers; Business Linkage Challenge Fund; Competitiveness Fund; Critical Infrastructure Program; Finance for the Textiles, Clothing, Leather and Footwear Industries; Financing for the Expansion of the Manufacturing Sector; Industrial Development Zones; Technology and Human Resources for Industry Program (THRIP)
SWAZILAND	- Swaziland has one integrated textile producer that dyes, spins, and knits cotton fabric (including	U.S. or similar markets • Zippers • Cotton yarn • Knit cotton fabric Local or regional markets	**Competitive advantages:** • Export-oriented apparel industry • Government incentives for foreign direct	Competitively priced custom built factory premises; Tradable duty credit certificates equal to 25% of the value of the exports;

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
	organic), and then sews the fabric into apparel for export. - The firm produces yarn for internal consumption and for export to the region and the EU.	• Knit cotton fabric for uniforms • Zippers	investment in the textile and apparel industry • Reliable electricity supply **Competitive disadvantages:** • Small domestic apparel market • Limited amount of local raw materials • Labor unrest • High HIV/AIDS prevalence rates	Preferential Market Access Arrangements; Tariff protection; Duty-free import of raw materials for re-export under SACU Customs Regulations
SELECTED ASIAN COUNTRIES				
VIETNAM	Consists of 3 sub-sectors: up-stream sector (fiber production); Mid-stream sector (fabric production and dyeing) and down-stream sector (garment manufacturing). The textile and garment industry uses main materials such as cotton, synthetic fiber, woolen, filament and silk. Continuously invested and changed equipment and technology to meet the world market demand as well as to improve its world competitiveness	High Labor skills; workforce availability; Managerial quality; Proximity to markets; Suitable infrastructure; Ease of market access; High quality and cost of material inputs; and suitable business climate.	**Competitive Advantage** Better physical infrastructure compared to Cambodia and Bangladesh; Power supply situation in Vietnam is equally better than Bangladesh and Cambodia as relatively small proportion of firms complains about infrastructure in Vietnam. The degree of ICT or computerization in textile and garment firms is also increasing now a din Vietnam.	Bilateral agreements in trade relations with 72 countries and double taxation agreements with 45 countries. • Corporate Income Tax • Capital Assignment Profits Tax: Gains on transfers of interests (as opposed to shares) in a foreign invested or Vietnamese enterprise are subject to 28% CIT. • VAT system has three rate categories: 0%, 5%, and 10% (the standard rate). Currently, there are 29 categories of goods and services that are VAT exempt.

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
				• Special Sales Tax (Excise tax): • Foreign Contractor withholding Tax: The rates are summarized below: • Import-Export Tariffs: • Natural Resources Tax: The tax rates, which ranged from 0% to 40% • Land Rentals: land is rented from the State; the tariff frame for land rental is determined by the Government. • Personal Income Tax: • Transfer Pricing (TP): The control threshold is lower than in many other countries (20%)
CAMBODIA	- Limited vertical integration; Value added activities lowest as it involves only cutting, making and trimming (CMT);	- Textile and apparels industry in Cambodia is not vertically integrated. Only 'cutting and sewing' on cut make and trim (CMT) basis using all imported raw	**Competitive advantages:** Relatively lower wage rates compared to Vietnam; investment guarantee and protection schemes that include equal treatment of all investors;	Equal treatment of all investors; No nationalization adversely affecting the property of investors; No price controls on products

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
	- Low productivity - No primary textile industry. - Limited number of backward linkage industries.	materials except some locally produced accessories. No investment in primary textile production; Only two factories have been established to produce knit fabrics.	No nationalization adversely affecting the property of investors; No price controls on products or services; no requirement of local equity participation; No restriction on foreign exchange convertibility and free remittance of foreign currencies abroad; Created an enabling legal framework for the private sector by enacting a number of important laws, e.g. Law on Banking and Financial Institutions, the Insurance Law, a new Land Law, the Trademarks Law and the Law on Enterprise Accounting and Auditing. **Competitive disadvantages:** • Low labor productivity - Poor basic infrastructure – hard (or physical) infrastructure such as railroads, ports, electricity supply; and soft infrastructure (or human capital) such as basic education; -Highest electricity costs for industrial use in the region, US$0.12-0.175 per KWh in 2005, in comparison with Bangkok and	or services; No requirement of local equity participation; No restriction on foreign exchange convertibility and free remittance of foreign currencies; Corporate Tax - 20%; Tax holidays: 6 - 9 years ; Full Import Duty Exemption for raw materials and capital machinery; Repatriation of profit (withholding tax); Free reinvestment of earning (special depreciation; Reforms on the legal and regulatory framework

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
			Jakarta for US$ 0.04, Hanoi and Singapore US$0.07 (JICA 06). -capacity utilization is at 100% in Cambodia	
BANGLADESH	A mainly readymade garment (RMG) industry sector with a complete value chain of the following sub-sectors: Cotton yarn, fabrics, spinning, weaving, Knitting; Handlooms; Dying, Printing and Finishing	High Labor skills; Readily available workforce; Managerial quality; Proximity to markets; Suitable infrastructure; Ease of market access; High quality and cost of material inputs; and suitable business climate. -	- **Competitive Advantages** - Minimum Economist-risk factors for FDI compared to many other countries of this region; Low Cost of living and reasonable; No communal or ethnic problems; Working capital loan as well as term loan from local commercial banks allowed to the industries setup with foreign capital; eliminated licensing system and simplified government approval procedure for investment.; Cost of doing business in Bangladesh according to the "Cost of Business Index, 2010- The World Bank" has gone down; Enthusiastic, flexible, hard working and trainable labor force; A good number of training institutes offer training on apparel merchandising - **Competitive Disadvantages** - Weak infrastructure; political unrest, law and order situation; and labor unrest in Bangladesh	- Private and Public Sector Profiles - the private sector initiative for industrialization and economic development; - Reforms, deregulation and liberalization of virtually every sector of the economy - Improved legal and regulatory framework - more flexible rules and policies; - Cash Incentives and subsidies for textile and garment industry; Non-Cash and other incentives (indirect incentives such as: Bonded warehouse facility ; Duty drawback facility ; Duty free and tax free import of raw cotton by the spinning industries; 1% import duty on machinery & spares for export-oriented industries ; 3% import duty on machinery & spares for non-export-

COUNTRY	Textile and apparel input production and Value Chain	Potentially competitive textile and apparel input products	Competitive Advantages and Disadvantages	Direct and Indirect Incentives Offered by Governments
			sometimes slows down the rate of new investment; almost entirely dependent on imports to meet rapidly growing demand for raw cotton; .	oriented industries; 3% import duty on dices and chemicals for all textile industries; 15% income tax for companies engaged in yarn spinning, yarn dyeing-finishing, yarn-coning, fabric manufacturing, and dyeing-printing-finishing of fabrics. Offers some of the most competitive fiscal and non-fiscal incentives e.g remittance of Royalty and Residence Permits; Tax holidays; Depreciation allowances

3.0 SOCIO ECONOMIC IMPACT ON THE TEXTILE AND APPAREL INDUSTRY OF DURING THE PERIOD OF DECEMBER 2004 AND MARCH 2010. (AFRICA VS ASIAN LDC'S)

3.1 Socio-economic impact of AGOA on SSA countries

As reported in the 10th AGOA Anniversary, AGOA has had transformative effect on the African economies, in which in a number of cases it opened new frontiers of engagement with USA. During its first five years (2000-2004), the textile and apparel component had created over 300,000 direct new jobs and twice as many jobs indirectly. US apparel imports more than doubled in the first five years. Energy related products realized the highest growth. In all an estimated 5-10 million Africans were positively impacted by AGOA. Additional benefits that have come alongside AGOA include enforcement of governance leading to policy predictability, legal and regulatory reforms to enhance the business environment and investment climate; creation of employment opportunities; diversification of economic activities; strengthening the regional integration agenda. Other benefits include strengthening of the cotton-textile chain, expansion of support industries and service sectors like transportation, government resolve to sustain the industry through streamlining the incentive systems.

Since AGOA was a unilateral offer from the US, regular extensions have been on short term basis with the likelihood that it might not be extended beyond 2015 unless SSA speaks with one voice. Consequently, non-renewal of AGOA shall have devastating effects on the socio-economic status of the SSA countries.

By contrast, AGOA created investment opportunities for the Asian companies who opted to invest in SSA in order to gain access to the US market. The connections so established have been retained when the companies relocated to their home countries on expiry of MFA. The non-renewal of AGOA shall give added advantages to the Asian companies who in any case are more efficient and with capability of meeting the stringent market requirements for accessing the US market.

3.2 Socio-economic impact of MFA expiry on selected Asian LDC countries

The Asian LDC countries of Cambodia, Vietnam and Bangladesh have all experienced expanded garment manufacture and exports since the expiry of MFA in 2005. Most of the regional investors come from within and as such there is no likelihood of firms relocating in big numbers.

Cambodia's garment industry has been a key source of export growth and formal employment, and directly contributes approximately 10% to the country's GDP. From 219 factories in 2004 the number went up-to the highest level of 292 in 2007 but declined 258 and 242 in 2009 and 2010 respectively.

With the expansion of the textile sector, the National Institute of Statistics (NIS) in Cambodia has estimated that total employment in the country reached approximately 8 million, of which 1.17 million workers were engaged in the industry sector in 2006 (CRDI 2008a, p.85) of which the garment industry contributes approximately four percent of total employment..

In Bangladesh, the textile and garment industry sector provided employment to about 3.5 million people (including over 2.5 million of the country's GDP, 40 percent of manufacturing value addition and 79 percent of export earnings.

The Vietnam's garment and textile industry currently employs more than 2 million workers, out of which around 800,000 are indirect labor forces. The sector has been credited for bringing in a large number of rural young women at industrial workplace that eventually facilitated increased labor mobility within the manufacturing sector as well as services sector for higher wages and salaries.

With the growing and increased volume of foreign direct investment (FDI) from Asian countries, the garment sector has contributed to economic growth of Cambodia and has played an important role in both income generation and poverty reduction in Cambodia. Due to growth in garment exports, the country has also attracted FDI in other services sector such as telecommunication, banking and insurance, construction and real estate, energy, transport and communication, education, among others.

4.0 IMPACT OF AGOA BEYOND 2015

4.1 Projected Impact If AGOA Is Extended On Short Term Basis, I.E. Under 5 Yrs. (Africa Vs. Asian LDC's)

The SSA countries have passed a resounding verdict, that is, extension of the AGOA basis shall be of no consequence, given the experience on the ground, whereby a number of companies have either relocated or closed down. The buyers have equally made up their minds and moved to the east and elsewhere for their sourcing. From available statistics, additional investments are likely not to take place unless production is geared for the domestic market. In this regard countries like Ethiopia and S. Africa are the ones that might report growth.

The Asian LDC countries that are favoured by the opening of the global market through MFA will consolidate their hold in the US market. In the long run however, they might relocate companies to produce in Africa once labour rise above levels for which their products shall not be competitive. This is not likely to happen sooner.

4.2 Projected Impact If AGOA Is Not Extended (Africa Vs. Asian LDC's)

Like garment manufacturers located in many countries around the world, a report compiled by Jack Kipling & Associates noted that Lesotho's clothing industry experienced a major decline following the end of the MFA in 2005. In fact six international companies exited Lesotho in 2005 resulting in 7000 job losses. Most of the remaining firms were also forced to retrench staff. The situation was worsened by the strong appreciation of the country's currency Loti (which is linked to the Rand) against the US$.

One of the major weaknesses of the nature of the foreign investment in a number of African countries like Kenya, Ethiopia, Lesotho, Mauritius, and Swaziland is the narrow export product range. In fact the current export basket confined to long run production of denim jeans and basic knits. Furthermore the sales & marketing functions are mainly being performed by other foreign firms like Taiwan in the case of Lesotho. It is in this respect that in the event of African and Asian countries loses the U.S. market as a result of the expiry of AGOA or access to 3rd country fabric; it is highly unlikely that the rest of the regional markets absorb the current output. Since the Textile and Apparel sector is by far and away the largest industrial sector in some countries like Lesotho, its decline would definitely send a major shock wave throughout such vulnerable economies.

Non-extension of the AGOA beyond 2015 will definitely see the end of the vibrant textile industry and associated industries in the region. As stated earlier, Asian countries global market share shall expand.

5.0 CHALLENGES FACING AFRICA AND ASIAN COUNTRIES IN EXPLOITING AGOA OPPORTUNITIES

5.1 Limitations on Production Capacities

The continued revival of the cotton, textile apparel industry remains dependent on AGOA preferential market access. Both local and foreign investors invested on the assurances of secured market access into the US during the initial periods. However, because of the uncertainties of continued preferences and the erosion from MFA, foreign investors have relocated, leading to contraction of existing capacities. The local investors with lower production capacities though remaining in production cannot meet the needs of the US market. The future of the textile industry in SSA depends on expanding local investment complemented by foreign investors. Further, the production capacities are also undermined by high input costs and the under developed value chain.

The SSA countries are also characterized by lack of inputs to the extent that AGOA extended the use of Third- Country Fabric rule of origin, to allow for the revival of cotton growing, ginning, spinning and weaving. At present 90% of the apparel imported from SSA under AGOA is made from third country fabric. There is every likelihood that the AGOA beneficiaries shall not have developed the requisite capacity by 2012 to use local fabrics.

5.2 Limitations on Market Access

The combined effects of expiry of MFA on market access for non-AGOA LDCs and the short-term nature of reauthorization of AGOA has served to undermine the SSA textile industry that had been created through AGOA initiative. Already the Asian LDC countries -Bangladesh, Cambodia, Vietnam- exports into the US market have grown by as much as 98% on duty paid basis since 2005 while those from SSA enjoying preferential AGOA status have declined by as much as 50% during the same period. Extending DFQF preferences of apparels of already more competitive Asian LDC countries with bigger production capacities would bring to an end the SSA textile and apparel sector as well the livelihoods of the many in the cotton, textile and apparel value chain. Other challenges that the SSA textile sector continues to face include:

- Further erosion of benefits under AGOA on account of the FTAs and DFQF arrangements under discussion between US and the Pacific Rim countries and Asian LDCs respectively.
- Narrow range of textile products, most of which concentrate on stitching
- Further completion from additional liberalization and preferential trade agreements
- Inadequate capacity to mount effective Marketing and promotion programmes
- Capacity for Compliance with standards and market related demands
- Servicing orders on timely basis
- Weak institutions

5.3 Lack of Competitiveness

5.3.1 Limited Exploitation of Potentials and Low VA content

The SSA region has demonstrated in the last ten years that it has the potential to participate in the global textile industry. However, its underdeveloped cotton, textile and apparel sectors have resulted in low VA content, denying the continent the socio-economic benefits of the cotton textile trade.

5.3.2 Effects of the Poor Infrastructure Conditions on the Competitiveness of Selected African Exports of Textiles and Apparel Visa vs the Selected Asian Exports

Poor infrastructure conditions, such as inadequate and costly electricity, poorly maintained road networks, and limited access to international shipping, undermine the competitiveness of SSA textile and apparel exports by increasing production costs and limiting speed to market. However, some SSA countries, particularly in southern Africa, do benefit from relatively better infrastructure conditions.

Table 5.1: Survey of Transport Quality in Selected African and Asian Textile and Apparel Producing Countries

AFRICA					ASIA LDC		
Indicator	**Kenya**	**Mauritius**	**South Africa**	**Lesotho**	**Bangladesh**	**Cambodia**	**Vietnam**
Quality of Roads	2.8	4.5	4.8	2.0	2.8	…..	…..
Quality of Rail	2.3	….	3.5	1.9	2.3	1.6	2.3
Quality of Port	3.5	4.4	4.4	2.6*	2.6	3.4	2.8
Density of Road	11	99	30	20	184	……	…..

Source: Porter and Schwab, *the Global Competitiveness Report 2008-2009*, *the Travel & Tourism Competitiveness Report 2008*

*For landlocked countries; (b)-Data not available

5.2.2 Electricity

The SSA region is characterized by inadequate energy access and affordability. Textile production requires consistent and reliable electricity for dyeing operations, spinning fibers into yarn, and knitting or weaving yarn into fabric. Apparel production requires reliable electricity for powering cutting, sewing, and finishing operations. Unexpected electricity outages often disrupt production schedules. In the case of textile production, outages can result in damaged fabric and unusable dye lots, both of which can decrease productivity and increase production costs.

Compared with other SSA markets, South African textile and apparel producers benefit from more reliable electricity, with rates of around $0.02 per kWh, making South Africa one of the lowest-cost electricity providers in the world. However, in January 2008, rolling blackouts and load-shedding disrupted production schedules, resulting in decreased productivity and revenue losses for South African textile and apparel manufacturers.

Apparel producers in Swaziland indicate that electricity provision in the country is reliable and relatively low cost, with rates around $0.023 per kWh—roughly 15 percent higher than in South Africa. Swaziland generates 20–25 percent of its electricity needs domestically through hydropower, and imports the remaining 75–80 percent from neighboring South Africa.

By contrast, apparel producers in Kenya indicated that electricity provision in the country is unreliable and, at $0.22 per kWh, among the most expensive in the region—over 850 percent higher than in Swaziland. The supply is equally unreliable in Kenya, necessitating the use of diesel generators. On average, the firm uses a backup diesel powered generator twice per week, which reportedly costs 20 percent more than electricity sourced from the national power grid.156

5.2.3 Maritime Transport

Apparel firms in South Africa, Swaziland, and Lesotho have a competitive advantage vis-à-vis other SSA producers in terms of speed to market due to their proximity to the port of Durban, which is the most advanced port in SSA and the port through which most trade in textiles and apparel flows. However despite their relative proximity to port, congestion at the port has been sighted by the industry sources in Vietnam, Bangladesh, Cambodia, Kenya, Swaziland, Lesotho and South Africa as the major cause in delays. This has hindered the firms' ability to acquire fiber, fabric, and other critical inputs needed to maintain production schedules and ensure that shipments are delivered on time.

These firms require roughly 130 days producing and shipping apparel to the United States. In contrast, firms in India or China may require only 30–45 days manufacturing and exporting apparel to the United States. Lesotho- and Swaziland-based textile and apparel exporters benefit from the use of neighboring South Africa's roads to transport their shipments to and from the port of Durban. The textile and apparel industries in both Swaziland and Lesotho are generally located in industrial areas near the South African border.

By contrast, the land transport system puts apparel producers in Kenya at a disadvantage relative to other key SSA textile and apparel exporting countries. According to a survey conducted by the World Economic Forum that measures the perceived quality of land transport infrastructure, Kenya was rated fourth out of the five major SSA textile and apparel producers included in the survey in terms of quality of existing roads, second in terms of quality of railroad infrastructure, and third in terms of quality of ports, Mauritius and South Africa fared better than some other global textiles and apparel producers in the survey. They were rated higher than China, Turkey, Bangladesh, and India in terms of both perceived quality of roads and port infrastructure.

Inefficient ports impact on both logistics and costs of shipping which add up to make textiles and apparels originating from Africa more uncompetitive in the destination markets. The landlocked countries suffer more because of the high road transport costs and inefficient ports.

5.2.4 Out dated or Low quality Production Technology

The SSA region is characterized by under developed industrial sector, using in majority of cases outdated or low quality technology. The foreign investors have in part brought in new production technologies to produce to the high quality products required by the market. However, with lack of assurances of future markets, few if any investors will set up business in Africa.

5.2.5 Other Logistics and support incentives

Though the SSA have to a large extent matched the more efficient economies on incentives and guarantees, there is very little that most of these countries can do with regard to subsidies and other production support mechanisms. In this regard, the SSA companies are disadvantaged and will continue to face higher production costs.

5.2.5 Manpower Skills

Most of SSA countries still experience shortages of skilled labour. This in part translates into low productivity and low quality products that cannot be traded in the global markets.

5.3 Further Liberalization and Unfair Trade Practices

The proliferation of FTA and other preferential trade agreements continue to erode market access for the SSA countries.

6.0 RECOMMENDATIONS

The combined effects of DFQF treatment of apparel from non-AGOA LDC countries, FTAs with the Pacific Rim countries, the termination of the 3rd country fabric for SSA countries by 2012 and the uncertainty of the continuation of AGOA beyond 2015 all serve to destroy the SSA apparel industry revived through AGOA. USA imports from Asian LDC countries have risen sharply since 2005 while those from SSA have nosedived. Recommendations for the way forward are at two levels; country level and AGOA level. Priority is given to actions to be taken at AGOA level.

The future of AGOA in SSA

For AGOA to remain the cornerstone of US-Africa economic policy and trade relations, addressing poverty, there is urgent need to revisit the overall AGOA framework within the context of the global WTO commitments and proliferations of FTAs (Bedi, July 2010). In particularly there is need to lobby the US government to:

- Sustain the original intention of AGOA to alleviate poverty via “Trade not Aid”.
- Maintain the momentum and motivation that has picked up to re-build the African Fibre, textile and apparel value chain.
- Sustain the socio-economic benefits so far generated
- Continue giving hope to the foreign new investments, and the development of apparel manufacturing capacity of SSA that has resulted from AGOA.
- Facilitate continued integration of SSA to the global economy
- Safeguard SSA from unfair competition if DFQF status is extended to Asian LDCs.

In this regard, SSA through ACTIF should lobby and negotiate with the US government to:

1. **Extend the period of AGOA and AGOA IV beyond 2015 on a permanent basis** to promote SSA cotton and textile sector along the whole value chain as originally intended. This will remove the uncertainties associated with the short term reauthorizations which have not given confidence, stability and predictability to investors, buyers and those securing their livelihood from the cotton-textile sectors. Extension of AGOA on a permanent basis, for a minimum of 10 years beyond 2015, shall:
    a. Attract investors and buyers to continue investing and sourcing from SSA
    b. Secure the employment opportunities on permanent basis
    c. Sustain the ongoing reforms and investments in the cotton-textile chain
    d. Deepen the regional integration agenda at pan-African level
    e. Facilitate SSA meets commitments under original intention of addressing poverty challenges through trade and not aid.

2. **Extend the period of the “third country fabric” provision beyond 2012**
   The key to AGOAs success in spurring the development of the apparel sector in SSA has been the use of the *third-country fabric* RoO which allows LDC AGOA beneficiaries to use yarn and fabric from any part of the world, as opposed to other preferential programmes which are based on strict forward yarn-fabric linkages. This flexibility of use of third country fabrics has served as great incentives for

US buyers to source quality fabrics from SSA. There is an urgent need to extend this provision pending development of the chain, preferably on a permanent basis:

a. To allow SSA countries to continue producing same quality products for the American market
b. To allow the SSA countries further develop the cotton textile sectors
c. Or for at least minimum period of 10 years, to allow for the development of the requisite capacities along the chain.

3. Extension of AGOA to non-sensitive Textile Products

While the continued use of third-country fabric has facilitated SSA textile trade with US in the short to medium term, it has nevertheless constrained the SSA vertical integration of the cotton-textile-apparel value chain. Additional incentives need to be explored in non-sensitive textile products to diversify the African textile export sector. In this regard, it will be necessary to determine the additional product lines. Consequently, there will be need to:

a. Joint (SSA/US-ITC) to determine non-sensitive non-apparel products not import sensitive in the US market that could benefit from AGOA
b. In build flexibility of the requirements to process all non-apparel products in LDC countries

4. **Protect AGOA from being undermined by ongoing USA preference reforms (TPP) and FTA arrangements**

The policy rationale for trade preferences is to assist non-competitive developing countries to become competitive via duty free preferences. With expiry of MFA in 2005, the more competitive Asian LDCs, Bangladesh, Cambodia and Vietnam, are eating into the SSA market share in the US AGOA market. Consequently, the ongoing negotiations for extension of DFQF to Asian LDCs, will only serve to destroy the remaining textile-apparel African sector.

While AGOA was signed by individual African countries, the dire need of rescuing the revived cotton-textile-apparel sector, has led to the establishment of ACTIF to consolidate the voice of the SSA textile and apparel producers to lobby the US to:

a. Introduce temporary quotas on Asian LDCs to allow SSA textile growth
b. Reform the AGOA along the EIAP provisions given to Haiti
c. US jointly with SSA counties to seek for waiver from WTO under SDT
d. Provide special incentives for US buyers to continue to source from Africa
e. Defer/postpone the introduction of DFQF status to Asian LDCs as it would undermine the purpose of AGOA and AGOA IV.

5. Review of the AGOA rules of continued eligibility, in particular terminal sanctions as was the case for Madagascar in 2009

The need for sustained governance for continued eligibility is welcome requirement for entrenching sustainable and predictable rules and accountability. Investors in goodwill took the initiatives of cross investment in the region, giving that AGOA provided for sourcing from within the region. In this spirit

Mauritius investors relocated a number of their production facilities to Madagascar to service Mauritius based industries as well as building the Madagascar textile industry. With the suspension of Madagascar from accessing AGOA benefits on account of nondemocratic practices, the innocent Mauritius investor and 30,000 workers have had to pay the price. There is need to look for more targeted sanctions to bring to book those individuals responsible nondemocratic principles. In this regard AGOA should strive to:

a. Come up with more flexible sanction mechanisms in the innocent are not subjected to unnecessary burdens
b. All-or-nothing rule of compliance be reviewed to scale sanctions based on crimes committed
c. Continue to support the regional and pan-Africa integration agenda

6. Greater Support for Regional Economic integration and Industry Competitiveness

The US economic programmes for Africa, including Millennium Challenge Account, USAID projects and the African Development Bank, should now prioritise on measures to support the private development, such as industrial infrastructure development, building value chain competitiveness (as is the case in Cambodia and Haiti), helping the SSA customs administrations to tackle the smuggling of textile and apparel into SSA countries and concerted efforts to supporting regional economic integration through trade and investment.

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7. Encourage Sourcing from Africa

With successes of AGOA since 2000, the global responses to source more from Haiti after the devastating earth quake are good demonstration of unique targeted support other than Aid. Africa stands to benefit the poor with continued implementation of AGOA which has inbuilt provisions for sourcing from the continent.

8. Deter Unfair trade Practices

Besides efficient high productivity and low cost production process, one of the reasons Asia is winning apparel market share at Africa's expense can be traced to various unfair trade practices by the Asian apparel producing nations, including export subsidies, currency manipulations and violations of intellectual property rights (e.g violations relating to African ethnic designs). The US administration should investigate and apply appropriate remedial actions against such trade practices.

9. Continued TA to build the capacity of SSA textile industry through USA Hubs

Country level

At the country level, SSA countries have to address their competitiveness in the manufacturing sector and by extension to the specific sub sectors such as the textile and apparels. The key factors to be addressed at national level include poor infrastructural conditions and high input costs; low productivity levels; inefficient flow of goods and services and unfavorable business environment.

In this regard additional investments in infrastructure with a view to benchmarking subsequent rates to international rates; enhance the efficiency of the transport and relate service sectors of the ports, sustain technical skills trainings in order to increase productivity, investment incentives, and sustain reforms in the business environment and business climate including exploring the option of commercial representation in the US market. Further, the cotton-textile chain has to be developed in a wholesome way.

7.0 CONCLUSION

SSA countries have benefitted immensely from AGOA market opportunities especially in the textile and apparel sector. However, the socio-economic developments ushered in by AGOA have been eroded substantially from the MFA expiry which exposed the SSA countries to intense competition from the more efficient Asian LDC countries. But there is hope especially now that SSA countries are taking on pan-African approach to salvage AGOA. ACTIF should not tire in presenting SSA case to the US congress. Continued AGOA benefits shall facilitate the SSA countries and to built the Cotton Value Chain which will provide the requisite capacities to produce for trade in the various RECs and EAC.

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