

EMBASSY OF THE KINGDOM
OF LESOTHO



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July 12, 2019

U.S. International Trade Commission
50 E Street, S.W.
Washington, DC 20436

Re: Investigation No. 332-571

Dear Chairman Johanson and Commissioners:

I am writing in response to the letter from the Secretary dated June 20, 2019, inviting us to participate in the above-referenced Investigation into recent trends and new developments concerning U.S. trade and investment with Sub-Saharan Africa. I am pleased to submit the following statement for the record.

Lesotho is a least developed country with widespread poverty and high unemployment, reaching 29% in 2017. Lesotho is a beneficiary country of the African Growth and Opportunity Act (AGOA). AGOA has had a major positive impact on the economy of Lesotho, creating employment opportunities and reducing poverty. Indeed, Lesotho is among the countries that have benefited most from AGOA.

When AGOA was first enacted, Lesotho was the largest exporter of apparel to the United States under AGOA. In recent years, Lesotho has ranked as the second largest apparel exporter to the United States under AGOA (behind only Kenya), with annual apparel exports exceeding \$320 million in 2018. Apparel is by far Lesotho's largest export to the United States, accounting for more than 90% of total exports to the United States. The apparel sector is the largest private sector employer in Lesotho. All of this was made possible by AGOA's duty-free apparel program, which makes Lesotho's apparel sector more competitive than it otherwise would be.

Lesotho has succeeded in creating vertical integration in its textile and apparel sector. Lesotho is home to the largest denim fabric producer in Sub-Saharan Africa, Formosa Textiles, which supplies denim fabric to jeans manufacturers in Lesotho as well as in several other AGOA countries. The vast majority of the cotton used to make denim fabric in Lesotho comes from cotton farmers in Southern and West Africa. The Lesotho denim industry is a good illustration of the progress that can be made toward regional integration and regional value chains under AGOA.

The AGOA duty preference reaches as high as 30% for apparel made from man-made fibers (MMF). By contrast, apparel made from cotton is subject to lower duties, averaging about 16%. Lesotho has increased the production of MMF garments in order to enhance the duty advantage under AGOA. In 2018, 71% of Lesotho's apparel exports were made with MMF. For comparison, only 57% of Kenya's 2018 apparel exports to the United States were made with MMF.

Despite the AGOA duty preference, Lesotho suffers from significant competitive disadvantages, the most serious of which is the fact that Lesotho is a landlocked country completely surrounded by South Africa. Without the AGOA duty preference, it is doubtful Lesotho would be able to compete against much larger, more established apparel industries in Asia.

Although Lesotho developed a national AGOA Implementation Strategy in 2015, we are currently finalizing an updated AGOA Utilization Strategy, as we were encouraged to do by the AGOA Extension and Enhancement Act. The new AGOA Strategy emphasizes product diversification to increase the variety of products exported to the United States while at the same time continuing and increasing the competitiveness of the textile and apparel sector. Other products targeted for development by the Lesotho AGOA Strategy include: footwear, leather goods, bottled water and canned foods. A more diversified mix of products will help insulate Lesotho from market shocks that may affect a single sector.

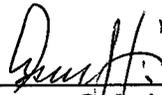
The Government of Lesotho, through the Lesotho National Development Corporation (LNDC), actively supports efforts to attract foreign investment to take full advantage of AGOA. These efforts include the creation of an investor-friendly business environment with minimal bureaucratic red tape.

All of the investments that have been made in Lesotho in response to AGOA have been predicted on the stability and predictability of the AGOA regime. With less than six years left in the current authorization of AGOA, it is critical that serious progress must be made as quickly as possible in defining the future of the rubric that will govern U.S.-Africa trade and investment relations after 2025. Otherwise, there will certainly be a serious contraction of exports and employment as investors look for more stable environments elsewhere.

Last but not least, AGOA has created the U.S.-Africa Trade and Economic Cooperation Forum, commonly known as the AGOA Forum, which has provided an invaluable venue for exploring trade and investment issues between the United States and Sub-Saharan Africa. These annual dialogues are essential in mapping the future of the trade and investment relationship.

Let me take this opportunity to express my sincere gratitude on behalf of my country for the outstanding assistance the United States provides Lesotho in pursuing economic growth and eradicating poverty through AGOA, the Millennium Challenge Account and various other initiatives.

Yours sincerely,



Sankatana Gabriel Maja
Ambassador