

AFRICAN COALITION FOR TRADE, INC.

1750 K Street, N.W., Suite 1200

Washington, D.C. 20006

Telephone: 202-531-4028

Email: act@his.com

www.acttrade.org

Comments of the African Coalition for Trade on the Treatment of Apparel in the Proposed U.S.-Kenya Trade Agreement Docket No. USTR-2020-0011

The African Coalition for Trade, Inc. (ACT) submits the following comments for the record of the United States Trade Representative's (USTR's) proceeding concerning the negotiating objectives of the proposed U.S.-Kenya Trade Agreement (Kenya FTA), Docket No. USTR-2020-0011. ACT is a non-profit association of private sector groups and individual companies in Africa that trade with the United States under the African Growth and Opportunity Act (AGOA).¹

In announcing the initiation of trade negotiations with Kenya, both President Trump and Ambassador Lighthizer indicated that the proposed Kenya FTA is intended to become of the model for subsequent free trade agreements (FTAs) with other AGOA beneficiary countries. AGOA is currently scheduled to expire on September 30, 2025, so time is of the essence in completing the proposed Kenya FTA so that negotiations can be completed with other AGOA beneficiaries before AGOA expires. These comments on the treatment of apparel in the proposed Kenya FTA are intended to ensure that the model for post-AGOA FTAs includes provisions governing apparel trade that are no less generous than those contained in AGOA.

The AGOA program for duty-free apparel trade has been unquestionably AGOA's greatest success in creating new employment opportunities and indeed a new manufacturing sector in Africa. In 2019, the United States imported \$1.5 billion worth of apparel from Africa under AGOA, making apparel by far the largest manufactured product imported from Africa.² The benefits of the AGOA apparel program have been relatively widespread, with eight African countries exporting significant volumes of apparel under AGOA in 2019.

¹ ACT's members come from Eswatini (formerly Swaziland), Kenya, Lesotho, Madagascar, Mauritius, South Africa, and Tanzania. ACT served as one of the leading spokespersons for the African private sector in the enactment and implementation of AGOA.

² Otherwise, the majority of imports from Africa consist of petroleum, minerals and unprocessed agricultural products, which create only limited employment opportunities and contribute relatively little to long-term economic development.

Country	2019 U.S. Apparel Imports (\$ million)
Ethiopia	\$211.280
Ghana	\$17.326
Kenya	\$453.730
Lesotho	\$303.418
Madagascar	\$243.331
Mauritius	\$140.882
South Africa	\$9.554
Tanzania	\$52.236
Subtotal of Large Exporters	\$1,431.757
Rest of Africa	\$25.859
Total	\$1,457.616

It is estimated that the AGOA apparel program has created at least 300,000 new direct jobs in the manufacturing sector in Africa and as many as 1.0 million indirect jobs in support sectors.

The key to the success of the AGOA apparel program has been AGOA's generous rules of origin, including in particular the so-called "third-country fabric" rule of origin that permits less developed AGOA beneficiaries to utilize yarn and fabric from any origin.³ Ninety-seven percent of the apparel imported under AGOA in 2019 was under the third-country fabric rule of origin.⁴ Yarn spinning and fabric weaving and knitting are much more capital intensive and require more advanced technology than the cut-and-sew operations of apparel manufacturing. Africa does not currently have the capacity to produce the volume and variety of yarn and fabric necessary to support its apparel industry. Any tightening of the third-country fabric rule of origin in the post-AGOA model FTA would decimate the African apparel industry and lead to the loss of hundreds of thousands of jobs. On the other hand, incorporating the AGOA apparel rules of origin, including in particular the third-country fabric rule, in the post-AGOA model FTA will ensure the continued development of the African apparel sector, which will serve as the foundation for further industrial development in Africa.

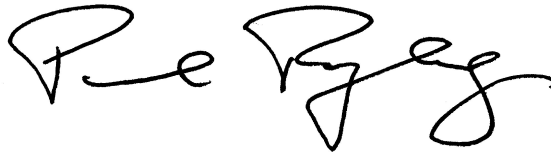
For the foregoing reasons, ACT respectfully urges the United States to include apparel rules of origin in the model post-AGOA FTA that are no less generous than the terms of AGOA, including in particular the third-country fabric rule of origin. We appreciate your consideration of our views on this important matter.

³ By contrast, most U.S. FTAs require that yarn, fabric and inputs must originate in the United States or the FTA partner, subject to limited exceptions.

⁴ Less than 1% of the apparel imported under AGOA in 2019 was made with U.S. or African origin yarn or fabric, which would be required under traditional U.S. FTA standards.

Finally, ACT requests the opportunity to present a witness to testify live if the public hearing in this matter that was scheduled for April 28, 2020, is rescheduled for another date.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul Ryberg". The signature is fluid and cursive, with the first name "Paul" and last name "Ryberg" clearly distinguishable.

Paul Ryberg
President

April 15, 2020