Journal of Commerce
February 14, 2005, Monday

Winter of discontent

Africa is looking beyond the Growth and Opportunity Act as it tries to resuscitate its textile and apparel industries

BY ALAN M. FIELD

In Lesotho, six apparel factories failed to reopen after the New Year holidays, and at least 7,000 workers are expected to lose their jobs. In nearby Swaziland, the government estimates that a third of all garment industry jobs - about 15,000 - will be lost by mid-year because local manufacturers have not received enough orders. Even in South Africa, the richest and most productive manufacturing nation in sub-Saharan Africa, apparel makers are reeling from an influx of competition from low-cost apparel made in China.

Only a few years ago, several African countries - including Lesotho and Swaziland - were being applauded for their success in increasing exports to the U.S., especially in textiles. The vehicle for their progress was the African Growth and Opportunity Act, which gave them preferential access to the U.S. market. Textile makers from Asia were shifting their operations to the African countries to take advantage of AGOA and to circumvent import quotas established under World Trade Organization rules. Employment in Lesotho's Asian-owned apparel sector jumped from 15,000 in 2000 to 55,000 last year. Other countries benefiting included Botswana, Namibia, Mauritius and South Africa.

Overall exports from the 37 AGOA-eligible countries to the U.S. increased from $21.8 billion in 2000 to $24.4 billion in 2003. U.S. exports to those countries grew more modestly, from $5.3 billion in 2000 to $6.1 billion in 2003. All that changed on Jan. 1, with the expiration of the WTO quotas on textiles and apparel. Now Asian textile makers are fleeing Lesotho and elsewhere for greener pastures, especially China.

According to a report by the U.S. International Trade Commission, Africa's share of U.S. apparel imports is likely to decline with the expiration of quotas. One problem is the lack of vertical integration; Lesotho has no domestic yarn or fabric supply, and apparel makers in Lesotho must import their material. Another negative factor is the recent 50 percent rise in the value of the South African rand against the U.S. dollar. Although Namibia and Botswana have benefited from vertical integration in this sector, the strong rand will hurt exports from the countries.

Under AGOA, countries such as Lesotho and Swaziland that depend on imported fabrics from "third-party" countries will be allowed to import raw materials only from non-AGOA countries until 2007. Critics say these countries have not made plans to a long-term strategy to keep their industry running after that provision runs out, and that they become far less desirable locations for apparel manufacturing.

Even in the best of times, some say, AGOA did not deliver on its initial, vast promise. Energy products, mainly oil and natural gas, accounted for about 75 percent of the duty-free exports that African countries ship under AGOA, textiles and apparel accounted for only 17 percent, and agricultural products represented only 2 percent. "Take oil away from AGOA, and you find that trade between Africa and the United States has not grown," said Stephen Hayes, president of the Corporate Council on Africa. "AGOA has not worked effectively."

As global oil prices have shot up, so has the dollar volume of U.S. imports from African oil producers, especially Nigeria, exaggerating the AGOA-related figures. U.S. imports from Nigeria rose from $9.26 billion in 2002 to $14.7 billion in 2003.

What can be done to save Africa's apparel sector? In South Africa, several leading economists have called for a fresh approach. Eckart Naumann, an associate of the non-profit Trade Law Center for Southern Africa, said African nations "should market their products regionally, availing the benefits from tariff-free zones created by the Southern African Customs Union, and those being negotiated by the Southern African Development Community."

Helena Claassens, an economist with the South African Textile Federation, suggested that South African textile manufacturers focus on niche products that incorporate African designs, rather than on lower-value-added commodities that China can produce more cheaply. South Africa could also move resources into technical and industrial textiles, such as parachute fabrics, tire cords, converter belting, filter cloth, coated fabrics, bulletproof vests, life jackets and protective garments used in mining.

Others insist that the long-term solution lies in agriculture. "Far too much emphasis been put on textiles," Hayes said. "It is not an indigenous industry." Everyone acknowledges that African exporters will have a hard time overcoming protectionist farm lobbies in the U.S. They will also face major challenges boosting their production capacity and phytosanitary standards, and bringing their infrastructure up to global standards.

Speaking recently at the Library of Congress, Kenyan ambassador Leonard Ngaithe said small Kenyan farmers can gain a much larger share of markets for their coffee, tea, flowers and pyrethrum. But he said they must be trained to meet international sanitary standards, and be provided easier credit from U.S. trade promotion agencies.

Cynthia Philips, trade analyst of DATA (Debt AIDS Trade Africa), the policy group headed by rock star Bono, recently told the Senate Foreign Relations Committee that international financial institutions have retarded development by imposing "inappropriate market liberalization policies" on Africa. "Countries are encouraged to remove measures that protect their developing industries even as developed countries maintain substantial subsidies and limit access to their markets," she said. Phillips said industrialized nations spend more than $300 billion on agricultural subsidies, and that their inexpensive, subsidized products flood international markets, making it nearly impossible for African farmers to export their agricultural commodities, such as wheat, corn and sugar.

"We have to take a more comprehensive look at Africa, involving public-private sector partnerships," Hayes said. The report of the Blair Commission for Africa, headed by British Prime Minister Tony Blair, will likely outline such partnerships when it is revealed to the G-8 countries in May. Hayes's Corporate Council on Africa has provided ideas for that report using input from 32 U.S. companies in eight different sectors, including health, energy, telecommunications and infrastructure. "The situation will not be fixed tomorrow," Hayes warned. "It will take a minimum of 10 to 15 to 20 years."

Oxfam International, the global non-governmental organization, has urged Blair and his fellow commissioners to demand reform of "unfair trade rules" that allow rich countries to overproduce crops such as cotton and sugar. Oxfam is also pushing for the Blair report to recommend 100 percent cancellation of foreign debt for developing countries.

Unlike AGOA, the fresh approach that emerges from the Blair Commission will be multilateral. However, Hayes said his group will not support giving a key role to the United Nations because "that would only add another level of bureaucracy."

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