AMERICAN APPAREL & FOOTWEAR ASSOCIATION

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June 23, 2022

William Shpiece
Chair of the Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

RE: Annual Review of Country Eligibility for Benefits Under the African Growth and Opportunity Act, Docket Number USTR-2022-0004

Dear Mr. Shpiece:

On behalf of the American Apparel & Footwear Association (AAFA), please accept these comments regarding the African Growth and Opportunity Act (AGOA).

AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its nearly three million U.S. workers, and its contribution of more than $350 billion in annual U.S. retail sales.

AGOA

AGOA is a success story for the apparel and footwear industries due to the duty-free access combined with state-of-the-art flexible rules of origin. In fact, AGOA continues to be a main reason why our members are in Africa and why they are now looking at expanding, or continuing to expand, their business there. U.S. apparel imports from AGOA for calendar year 2021 have rebounded in volume and value. With 97.7%[1] of all apparel from AGOA countries in 2021 entering under the AGOA program, there is a clear indication that this program is working.

As we forge to further develop a responsible industry, we have an opportunity to ensure that this development benefits a traditionally underserved population – women, who make up a large portion of our African workforce. As our members expand their operations there, they not only create direct jobs for women, but they also foster skills development and entrepreneurial opportunities for these workers. Moreover, investments in this workforce benefit entire families and communities, multiplying the economic opportunities that are created through apparel and footwear sourcing.

[1] Note: For the first four months of 2022, this utilization rate dropped to 68.7% because Ethiopia's exports to the U.S. were entered outside the AGOA program (because of the termination of Ethiopia's AGOA status). Many companies continued sourcing from Ethiopia for their short term in the hope that AGOA eligibility would soon be restored. If Ethiopia quickly regains AGOA eligibility status, these exports would once again be entered under AGOA, thereby restoring the typically high utilization rate. If Ethiopia remains outside AGOA for a longer time, these exports would evaporate as the trade shifts to other AGOA eligible countries, which would also ultimately restore AGOA's high utilization rate.

Even though the AGOA expiration date is three years away, U.S. investment in the region already faces mounting uncertainty. Companies are poised to diversify out of China, and Africa is a logical place for many of them. The on-again, off-again nature of the program before the ten-year renewal was extremely disruptive and meant the industry was not able to take full advantage of the first 15 years of the program. The 10-year renewal, with state-of-the-art rules of origin, in 2015 was an important first step but was not nearly long enough – as we repeatedly noted in 2015 – to sustain the kind of long-term trade and investment that is needed to alter centuries of underdevelopment. If AGOA were to be renewed this year for at least another 10 years (although ideally longer), companies would have the necessary certainty and timeframe they need to grow a vertical, responsible, and competitive industry in Africa up to and past 2025.

As more companies are beginning to utilize AGOA, and specifically the third country fabric provision, the quota fill rate will be significantly increasing in the coming years. Therefore, we also suggest raising the existing 3.5% limit to at least 4.5%, with a growth provision, so that it not be a constraint going forward.

Ethiopia

U.S. apparel and footwear companies invest, produce, and source all around the world, including in Ethiopia. Their investment and business decisions are always grounded on solid and demonstrated human rights. These investments provide significant opportunities for supply chains that create and sustain responsible employment. With that investment, there can be no hesitancy to ensure that the values embraced by our partners – including our government partners – match our own perspectives.

For many years, this has been the case in Ethiopia as the apparel and footwear industry has continued to increase its expectations and outlook for Ethiopia to be a stable and progressive investment partner. These joint efforts created the ability to lift many out of poverty and supported sustainable economic opportunities for Ethiopian households and communities. The jobs we have jointly created rest and depend upon that premise.

The humanitarian crisis in Tigray and nearby regions is unacceptable and completely inconsistent with our values and expectations and we voiced our concerns with the Ethiopian Government. As a result of the conflict, Ethiopia's AGOA benefits were revoked on January 1, 2022. We understand that some progress has been made on the benchmarks outlined in an official letter sent to Ethiopia late last year. We are hopeful that the Ethiopian Government continues to make progress and meet all of the benchmarks in order to reinstate their AGOA benefits as soon as possible. Our companies are committed to Ethiopia and their workers. However, if Ethiopia cannot regain their benefits, the costs to do business there will eventually become too great for many.

Thank you for the opportunity to comment on this very important issue. Please contact me at bhughes@aafaglobal.org if you have any questions or would like additional information.

Sincerely,

Beth Hughes

Beth Hughes
Vice President, Trade & Customs Policy
American Apparel & Footwear Association