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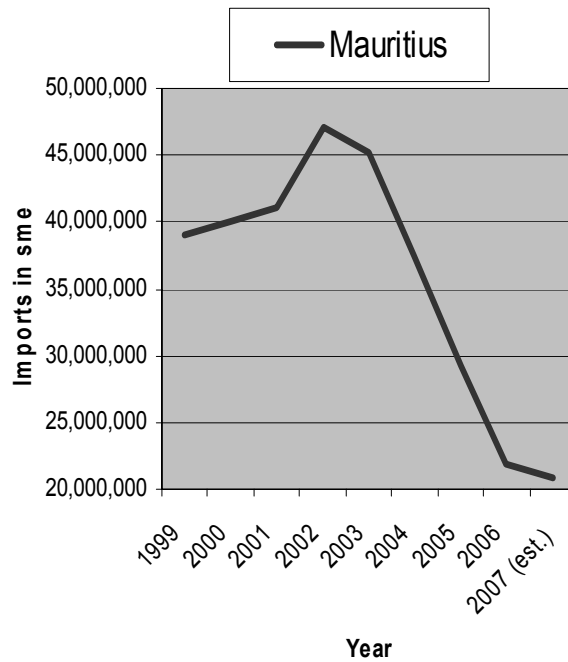
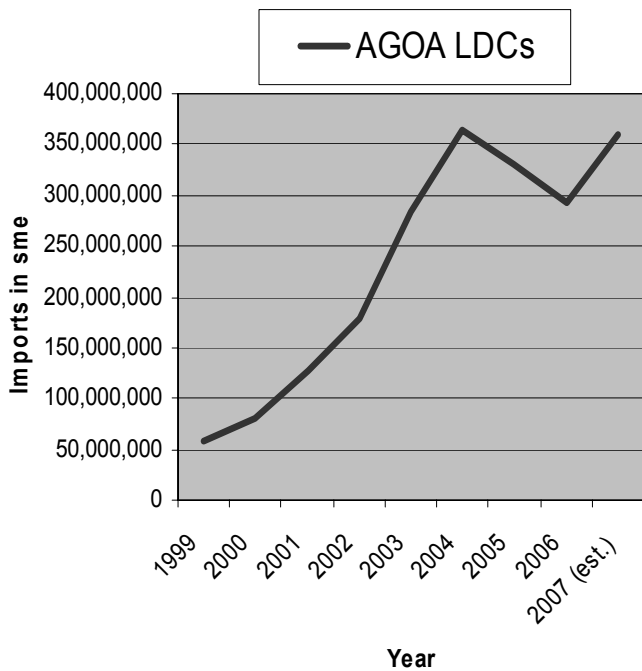
Mauritius' Access to Third-Country Fabric Under AGOA Needs To Be Extended

This statement is submitted by the Mauritius-U.S. Business Association (MUSBA) for the record of the Senate Finance Committee's May 16, 2007 hearing on trade preference programs. MUSBA is a non-profit trade association of Mauritian and U.S. companies involved in trade and investment between the two countries, particularly trade under the African Growth and Opportunity Act (AGOA).

The apparel provisions of AGOA have been a tremendous success in attracting investment into the light manufacturing sector in Africa and spurring Africa's exports of apparel to the United States. More than 200,000 new apparel manufacturing jobs have been created in lesser developed countries (LDCs) across Africa in response to AGOA, and apparel exports by the AGOA beneficiaries have doubled since AGOA was enacted in 2000.

At the same time that apparel trade with the AGOA LDCs has been blossoming, however, the apparel sector in Mauritius has withered. More than 30 apparel factories have closed in Mauritius in the past three years, costing more than 30,000 jobs. That represents fully one-third of the apparel sector jobs Mauritius had before AGOA was enacted. The impact of this serious contraction in the Mauritian apparel industry has been staggering because the apparel sector is by far the largest employer in the country. U.S. apparel imports from Mauritius have declined 45% since 2004. Today, Mauritius exports much less apparel to the U.S. today than it did before AGOA was enacted.

U.S. Apparel Imports from the AGOA LDCs and Mauritius, 1999-2007



U.S. Apparel Imports from the AGOA LDCs and Mauritius

Country	2000 Imports (msme)	2006 Imports (msme)	% Growth 2000-2006
Swaziland	7.166	41.478	478.82%
Kenya	12.556	65.461	421.35%
Botswana	2.167	7.29	236.41%
Lesotho	34.365	95.164	176.92%
Madagascar	20.495	55.2	169.33%
Malawi	3.311	5.458	64.84%
Namibia	-0-	10.301	>100%
Ghana	-0-	7.267	>100%
Ethiopia	-0-	3.14	>100%
Uganda	-0-	0.527	>100%
Mozambique	-0-	0.212	>100%
Tanzania	-0-	0.668	>100%
Mauritius	39.771	21.892	-44.95%
Africa Totals	157.756	325.965	106.63%

On the theory that the AGOA LDCs needed an extra competitive advantage to develop successful apparel industries, the original AGOA allowed the LDCs to use more available, less expensive yarns and fabric from any origin ("third-country fabric"). The non-LDCs, including Mauritius, however, were limited to using only U.S. or African-origin yarns/fabrics. As a consequence, U.S. importers who used to source apparel in Mauritius prior to AGOA shifted their orders to neighboring LDCs to capture the duty-free benefits of AGOA. Ironically, AGOA has created the unintended prospect of the poor having to pay the price of economic development for the poorer.

In the African Investment Incentive Act of 2006 (AIIA), which was enacted in December 2006 as Title VI of Pub. L. 109-432, Congress amended AGOA to extend the third-country fabric provision for the LDCs through 2012, 19 U.S.C. 3721(c)(2), which provision otherwise would have expired this year. A provision to renew the Mauritius LDC derogation was included in the Senate version of the AIIA, but that provision was not in the House version, and it did not survive the end-of-session informal conference committee with the House. Since the AIIA was enacted, U.S. apparel imports from the AGOA LDCs have responded, recording a 13% increase during January-February 2007, but imports from Mauritius are still down.

Botswana and Namibia were also classified as non-LDCs in the original AGOA and were, therefore, disqualified from using third-country fabric. When it became evident that Botswana and Namibia were not benefiting from AGOA, in the so-called AGOA II amendments enacted in 2002 Congress reclassified Botswana and Namibia to LDCs to enable them to compete on equal terms with the LDCs.

Recognizing that Mauritius was actually losing its apparel industry, Congress extended the same relief to Mauritius in the Miscellaneous Tariff Bill of 2004 (MTB). However, unlike Botswana and Namibia, which were given permanent LDC status, the MTB gave Mauritius LDC status only for 12 months, October 2004-September 2005. This temporary LDC status has proven to be far too short to provide the intended transitional assistance to allow the Mauritian apparel industry to adjust. Rather, apparel exports from Mauritius to the United States have continued to decline, falling by a further 25% since the Mauritius LDC derogation expired.

Unfortunately, the serious contraction of the apparel sector in Mauritius has coincided with a major restructuring of its sugar industry, the second largest sector of the economy. As a result of the reform of the EU sugar regime, Mauritius' revenues on sugar exports to its largest sugar market are down 36%, which has resulted in further job losses.

Facing the simultaneous collapse of the two most important sectors of its economy, the Government of Mauritius has embarked on a bold reform program to become more competitive and adapt to the new globalized trading environment. The Government is determined to respond to these challenges head-on with a major reform program that includes market liberalization/free trade, fiscal discipline, improving the investment climate, and measures to increase foreign direct investment. Specific measures include:

- reducing the personal income tax as well as the corporate top tax rate from 22.5% to 15% by 2009;
- simplifying the tariff structure for non-zero tariff items into three bands: 10%, 15% and 30% by 2009, which will significantly reduce duty rates for 270 tariff lines; and
- labor market reforms to achieve more flexibility.

The policy of economic diversification aims at broadening the economy, currently based on textiles, sugar and tourism, to include financial services, information technology, seafood and aquaculture. As part of this effort, Mauritius and the United States entered into a Trade and Investment Framework Agreement (TIFA) in September 2006 to reinforce their economic relationship.

To ensure the successful implementation of its ambitious reform program, Mauritius will require the full support of its partners. Because the factory closings and job losses in the apparel sector have continued, the special LDC provision is needed now more than ever. Accordingly, it is respectfully recommended that Mauritius' LDC status under AGOA should be extended through 2012 (*i.e.*, the same terms as the other AGOA LDCs), with retroactive effect to October 1, 2006.

We appreciate the opportunity to submit the views of our members on this important issue, and we would be happy to provide any additional information that may be useful to the Committee.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Paul Ryberg', with a stylized flourish at the end.

Paul Ryberg
President