

March 9, 2012

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Orrin Hatch  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairmen Baucus and Camp and Ranking Members Hatch and Levin:

In order to increase the competitiveness of U.S. companies doing business in Sub-Saharan Africa, we urge you to support immediate renewal of the 3<sup>rd</sup> Country Fabric provision under the African Growth and Opportunity Act (AGOA). The benefits of this specific provision for Africa's economic growth and poverty alleviation are straightforward. However, we encourage you also to keep in mind the undeniably positive effects this provision has had for the U.S. apparel and retail industries. As the provision's impending expiration is beginning to be felt across Africa, we urge Congress to act swiftly to renew this provision to ensure the United States continues to reap its commercial and strategic benefits.

The 3<sup>rd</sup> Country Fabric provision's impact on U.S.-Africa commercial engagement is twofold:

- **It helps U.S. retailers achieve lower costs and diversify their supply chains.** Since 2006, AGOA's 3<sup>rd</sup> Country Fabric provision has allowed Africa-based garment manufacturers to import raw materials from non-African countries, assemble them in-country, and export them to the United States under preferential terms. For U.S. apparel retailers, this allows for lower-cost imports with consistent quality. In fact, importing under AGOA allows them to achieve 16% duty savings on cotton items and 32% savings on poly-cotton items. The measure has given rise to a number of socially-conscious sourcing initiatives that highlight the "win-win" rationale for sourcing from some of the world's poorest countries. Indeed, while U.S. enterprises have gained, the gains in Africa have been tremendous. Over 300,000 jobs have been created across the continent since AGOA's inception, and now over 95% of Africa's apparel exports to the U.S. fall under this particular provision.

- **It solidifies a broader strategic partnership with the United States based on development through trade.** Although the 3<sup>rd</sup> Country Fabric provision deals only with apparel trade between the United States and Africa, there are much larger questions at stake for U.S. competitiveness across the continent if this measure is allowed to expire. The goodwill this program has generated is critical to the success in Africa of U.S. businesses and the workers they employ at home. Given the number of African jobs and the African government's tax receipts that would be impacted by this provision's expiration, a failure to renew this provision would undermine U.S. standing in Africa.

Because most sourcing decisions by U.S. apparel companies and retailers are made months in advance, the expiration of the 3<sup>rd</sup> Country Fabric provision in September 2012 is already having a negative impact. In fact, sourcing decisions have already been made that will pull future orders out of Africa on the assumption that the 3<sup>rd</sup> Country Fabric provision would not be renewed in time or at all. Any further delay in renewal would incentivize companies to source from other world regions, and in the meantime the African apparel industry — an industry that AGOA has done so much to build over the past decade — would begin to shed jobs.

The bipartisan bills renewing the provision (H.R. 2493 and S. 2007) enjoy broad support. However, any further delay in extending the 3<sup>rd</sup> Country Fabric provision would inflict harm on U.S. and African workers and companies while undermining the otherwise bright prospects for U.S. economic engagement in Africa.

We look forward to working with you to secure renewal of the AGOA 3<sup>rd</sup> Country Fabric provision.

Sincerely,

American Apparel & Footwear Association  
Emergency Committee for American Trade  
National Retail Federation  
National Foreign Trade Council  
Retail Industry Leaders Association  
U.S. Chamber of Commerce  
U.S. Association of Importers of Textiles and Apparel

cc: Members of the Senate Committee on Finance  
Members of the House Committee on Ways and Means