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## **AGOA: The Case of Ethiopian Textile Sub-Sector**

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Economic Commission for Africa

# **Opportunities and Challenges of Development for Africa in the Global Arena**

**AGOA: The Case of Ethiopian Textile Sub-Sector**

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**ACRONYMS**

<b>AAU</b>	<b>Addis Ababa University</b>
<b>AGOA</b>	<b>African Growth Opportunity Act</b>
<b>COMESA</b>	<b>Common Market for Eastern and Southern Africa</b>
<b>EBA</b>	<b>Everything But Arms</b>
<b>ECA</b>	<b>Economic Commission for Africa</b>
<b>EU</b>	<b>European Union</b>
<b>GSP</b>	<b>Generalized System of Preferences</b>
<b>LDC</b>	<b>Least Developed Countries</b>
<b>SPS</b>	<b>Sanitary and Phytosanitary measures</b>
<b>UNIDO</b>	<b>United Nations Industrial Development Organization</b>
<b>US</b>	<b>United States</b>
<b>USAID</b>	<b>United States Aid</b>

### **Abstract**

The purpose of this paper is review the commitment made by the Government and the private sector and pinpoints the specific challenges Ethiopian exporters face in utilizing AGOA.

The methodology to be adopted will basically be in-depth interviews with relevant government officials, USAID officials, Ethiopian Exporters using AGOA.

The findings of this paper are based on opportunities and challenges. The opportunities are trade preferences for quota- and duty-free entry into the United States; government of Ethiopia provides incentives to those engaged in exporting under AGOA; government has privatized textile and garment industry thus leading to a surge of new investors in the textile sub-sector; and government and USAID have set up an office in the Addis Ababa Chamber of Commerce.

The challenges are scarcity of raw material; exporters are forced to import raw material from abroad; bureaucracy when importing raw material; orders are not processed on time; access to credit facility is difficult; and exporting under AGOA is limited.

The researcher concludes although there are many challenges facing Ethiopia to properly utilize AGOA, the government has put in place an incentive package that gives opportunity for exporters. The government has also started to privatize textile and garment industry.

## **1.0 INTRODUCTION**

### **1.1 Background**

Trade has been an essential part of African markets since time immemorial. African countries trade among themselves and have been taking part in various International and Continental trade activities.

As a recent development, International markets opened up for the benefit of both developed and developing nations. Opportunities like African Growth Opportunity Act (AGOA) offered by the U.S. government and everything but arms by EU could be cited as an example of such international trade. Categorized in the list of developing countries, Ethiopia is also one of the beneficiaries of these opportunities.

AGOA came into view in August 2001, when Ethiopia qualified for it. Ethiopia became the 18 beneficiary countries in terms of textiles and garments. AGOA gives Ethiopia the opportunity to export textiles and garments to the United States duty-free and quota-free until 2008. It also lets Ethiopia enjoy the privileges to export garments made fabrics from any other countries to the U.S. market, duty-free and quota free.

To date, the number of beneficiary countries under AGOA has increased to 37 and the schedule of AGOA has been extended up to 2015.

Ethiopia has also signed several other trade agreements with a view to alleviating some of the trade barriers that the country is facing. The major ones are Lomé and other bilateral agreement. Ethiopia has also benefited a lot being a member of the Common Market for Eastern and Southern Africa (COMESA).

The writer of this paper therefore aims at assessing the various opportunities and challenges of Ethiopian textile industry in achieving the maximum benefit out of the African Growth Opportunity Act (AGOA).

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<sup>1</sup> Under AGOA, different market access has been granted for sub-Saharan countries' T&C exports. The poorest economies are granted duty-free access under the GSP rules, while potential benefits from the AGOA, are relevant only for those economies with a clothing industry. The Least Developed Beneficiary Country (LDBC) provision applies to countries with per-capita incomes below US\$ 1,500 in 1998, which were granted access to United States markets provided their final assembly should be in the country of origin, regardless of where yarn spinning or fabric weaving or knitting occurred (Gibbon, 2003).

Chapter one has two sections. In the first section, an attempt is made to clearly show the statement of the problem, objectives, scope of the study, methodology and data collection tools, as well as limitation and definition of basic terms and concepts. Chapter two incorporates the review of related literature, which comprises the what, the why, the how of AGOA, and an overview of the Ethiopian Textile sector. Chapter three follows with the analysis of findings, in-depth interview with concerned exporters, government official and USAID Representative. Last but not least, chapter four comprises the conclusion and recommendations of this paper.

## **1.2 Statement of the problem**

AGOA is one of the many trade agreements that gives preferential treatment to developing countries in sub-Sahara Africa. AGOA Generalized System of Preference (GSP) applies to more than 6,400 items. This is a great deal of opportunity for sub-Sahara African countries and in our case for Ethiopia.

In view of the above fact, the opportunities and challenges in AGOA in the case of the Ethiopian Textile sub-Sector would be analyzed in light of the following problem questions:-

- How is Ethiopia taking advantage of AGOA in the textile sub-Sector?
- What are the opportunities brought by AGOA in the textile sub-Sector?
- What are the challenges/problems preventing Ethiopia to make maximum use of AGOA benefits?
- What is being done to overcome the challenges on the part of both the Government and the textile sub-Sector exporters?
- How can Ethiopia enhance productivity of textile sub-sector to benefit from AGOA?
- What are the conformity requirements that need to be adhered to?
- How can Ethiopian Exporters establish connectivity with the International Market to benefit from AGOA?



### **1.3 Objectives of the study**

#### **1.3.1 General objectives**

The survey is aimed to analyze opportunities and challenges in AGOA in exporting products in the textile industry.

An attempt will be made to visit some of the renowned Ethiopian exporters who utilize the AGOA scheme in textile and apparel exports to the United States of America and analyze the results in light of opportunities and challenges.

#### **1.3.2 Specific objectives**

- To review the commitment/efforts that should be made by the Government and the private sector
- To pin point the specific challenges Ethiopian exporters face in utilizing AGOA.
- To analyze how Ethiopia is taking advantage of AGOA in the textile sub-sector.
- To examine what measures the Ethiopian Government is taking to fully utilize the privileges in AGOA in the textile sub-sector.
- To determine the role of Exporters in improving quality of textile and apparel products.
- To provide full information on AGOA and specifically relating to the textile sub-sector in Ethiopia for readers of this survey.

### **1.4 Scope of the study**

Ethiopia is one of the 37 sub-Sahara African countries privileged with the AGOA benefits of exporting qualifying products to the US market, duty free and quota free.

For the reasons indicated in the limitation of the study section, the survey will only concentrate firstly on AGOA privileges given to Ethiopia, secondly on privileges provided to the industrial sector and more specifically it will examine the opportunities and challenges brought by AGOA to the Textile sub-Sector.

### **1.5 Methodology and data collection**

The methodology to be adopted in this study will basically be in-depth interviews with relevant government officials, USAID officials, Ethiopian Exporters using AGOA.

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For the in-depth interviews, simple sampling technique will be employed in order to draw reliable conclusions. The sample will be the representative of all Ethiopian exporters in textile and apparel products to the United States of America using AGOA. There are ten exporters who use the AGOA visa to export; from those the researcher will interview five of them.

Reports and relevant documents will be collected from available relevant offices such as Ministry of Trade and Industry Ato Aregahegn Tesfa Michael (Public Relation office) and W/ro Berkenesh Gonefu (Head of AGOA department), Chamber of Commerce – Head of AGOA Department (Ato Teklu), USAID office – Focal Person on AGOA (Ato Addis Alemayehu), United Nations Economic Commission for Africa (ECA Library), and United Nations Industrial Development Organization (UNIDO) Ato Gashaw.

#### **1.6 Limitation of the Study**

The project had no financial sponsor. As a result, it was found difficult to extend the study over to other products other than in the textile sub-Sector and even within the textile sub-Sector to all exporters using AGOA scheme, which would have given a better overview of challenges and opportunities in AGOA as a whole. Besides time has been an omnipresent constraint.

Another major constraint is the lack of trained and knowledgeable personnel in the areas of AGOA in Ethiopia.

Furthermore, inquiry was made with the Ethiopian Chamber of Commerce to see whether research was available on this topic and the reply was negative. Also senior essays were not available in the AAU Library on this specific subject for easy reference.

#### **1.7 Organization of the Chapters**

The chapters of the survey are classified according to the following scheme:

The first chapter will introduce the study, state the problem, set out objectives, clarifies concepts, indicate the methodology and data collection employed in the survey given the scope and limitation of the study.

Chapter two will be dedicated to text materials, which deal with AGOA, opportunities and challenges in textile sub-Sector in Ethiopia in particular. It will be descriptive and conceptual review of materials. Terms will be defined; development strategies

will be analyzed and thoroughly discussed. Furthermore, an overview of the African Growth and Opportunity Act (AGOA) will be provided in more detail.

Chapter three will analyze survey results and highlight specific challenges. The researcher will also try to find the gap between what Ethiopia has forecasted to attain in terms of export in the textile sub-Sector under AGOA and what the present situation is.

Chapter four will wind up by giving a brief conclusion of findings from the investigation made through survey analysis and at last recommendations will be made based on the concluded findings.

## **1.8 Definition of Basic Terms and concepts**

**African Growth and Opportunity Act (AGOA)** – The African Growth and Opportunity Act was signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000. AGOA offers tangible incentives for African countries to continue their efforts to open their economies and build free markets

**Generalized System of Preferences (GSP)** – Under this scheme, AGOA expands the list of products which eligible Sub-Saharan African countries may export to the United States subject to zero import duty. General GSP covers approximately 4,600 items; AGOA GSP applies to more than 6,400 items. AGOA GSP provisions are in effect until September 30, 2015.

**Textile** – It is any type of material made from fibers or other extended linear materials such as thread or yarn. Classes of textiles include woven, crochet, knitted, knotted and non-woven fabrics such as felt (It is a non-woven cloth that is produced by matting, condensing and pressing fibers. The fibers form the structure of the fabric).

## **2.0 REVIEW OF RELATED LITERATURE**

Ethiopia follows an agricultural led policy, which emphasizes the importance of agriculture sector in developing the industrial sector. Ethiopia produces cotton as raw material but in a quantity, which is not sufficient for the textile sub-sector. Other raw materials are not produced in good quantity and lack the quality that the export market requires.

In this review, AGOA is seen in a broader perspective and an overview of the textile industry is given.

### **2.1 What is African Growth and Opportunity Act (AGOA)?**

Generally speaking AGOA is a market opportunity provided by US Government to sub-Saharan African countries to export their products free from tariff and quota. AGOA, came to effect on October 1, 2000 after president Clinton signed into the historic law called "AGOA 2000" on May 18, 2000.<sup>2</sup> The opportunities established by AGOA are targeted towards 48 sub-Saharan African countries.

However, not all sub-Saharan African Countries automatically receive the benefits of AGOA. The AGOA trade benefits are extended only to those countries that meet specific eligibility criteria set by the US Government.<sup>3</sup>

Initially the African Growth and Opportunity Act was scheduled to cover the period 2000 to 2008, and builds on the existing trade preference programs such as the Generalized System of Preferences (GSP).

In 2002 some amendments were made to the terms of the act (known as AGOA II) although these related mainly to certain clarification regarding the duty free treatment of apparel. Namibia and Botswana were re-designated as "Lesser Developed Beneficiary countries", a status that provides them with more flexible rule of origin relating to apparel (at least for a limited period of time).

One of the principal changes is an extension of AGOA's time-bound preferences by an additional 7 years to 2015. Another critical change is the proposed extension of AGOA's special rule relating to apparel by a further 4 years to 2008.

### **2.2 Objective of AGOA**

<sup>2</sup> Ministry of Trade and Industry. *AGOA: Principles, Nature and the Ethiopian Experience*, Addis Ababa, May 2004, p. 1.

<sup>3</sup> J. Diamond, *Market Access & Compliance*, United States Department of Commerce, International Trade Administration, Office of Africa, March 2005, p. 2.

Ultimately the objective of AGOA to the US government is:

- To promote increased trade and investment;
- To promote economic development and reform in sub-Saharan Africa;
- To promote increased access and opportunities for US investors and business in sub-Saharan African countries.
- To maintain the declining volume of US imports; and
- To encourage and expedite the economic and political reforming measures taken/to be taken by African countries.

### **2.3 Trade with Africa and AGOA**

In May 2000, the U.S. Congress approved legislation known as the **African Growth and Opportunity Act**, or AGOA (*Title I, Trade and Development Act of 2000; P.L. 106-200*). The purpose of this legislation was to assist the economies of sub-Sahara Africa and to improve economic relations between the United States and the region.

The Program on International Policy Attitude (PIPA)<sup>4</sup> and Knowledge Networks conducted a research on January 29, 2003 regarding the view of the American Public on Trade with Africa and AGOA. The following are the major findings:-

A clear majority supports the broader principle of removing trade barriers between the US and Africa and supports passage of the African Growth and Opportunity Act (AGOA).

A modest majority supports transferring trade quotas from wealthier countries to African countries, even when told this might be politically sensitive and result in more competition from low wage workers.

A solid majority supports free trade with African countries, both in principle and specifically as outlined in the African Growth Opportunity Act. Half the sample was asked: "As a general rule if countries in Africa say they will lower their barriers to products from the US if we will lower our barriers to their products, should the US agree or not agree to this?"

A solid 57% majority said the US should do so; about a third (32%) felt the US should not. The other half sample heard a description of the AGOA legislation, which congress passed on 2000 and expanded in 2002, as a bill that "eliminated

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<sup>4</sup> Steven Kull January 29, 2003. The PIPA/Knowledge Networks Poll, Americans on Africa.

import restrictions on nearly all goods produced in African countries that agree to embrace market-oriented economic policies and move to open up their markets to US trade and investment". Support was just a little higher than support of free trade in principle: 60% said they favored the measure, with 27% opposed.

#### **2.4 AGOA Opportunity or Benefit?**

AGOA provides trade preferences for quota- and duty-free entry into the United States for certain goods, expanding the benefits under the Generalized System of Preferences (GSP) program.

AGOA has resulted in limited successes in some countries. In addition to growth in the textile and apparel industry, some AGOA countries have begun to export new products to the United States, such as cut flowers and horticultural products. Agricultural products is a promising area for AGOA trade, however much work needs to be done to assist African countries in meeting U.S. sanitary and phytosanitary standards. The U.S. government is providing technical assistance to AGOA eligible countries to help them benefit from the legislation, through the U.S. Agency for International Development (USAID) and other agencies. The U.S. government has established three regional trade hubs in Africa for this purpose, in Accra, Ghana; Gaborone, Botswana; and Nairobi, Kenya.

Initially, AGOA was set to expire in 2008. In 2004, Congress passed the AGOA Acceleration Act 2004, which extended the legislation to 2015.

The market access (AGOA) is considered as 'benefit' by US government and 'opportunity' by the sub-Saharan African countries.

Countries who have adequate infrastructure in place and who are ready to export their products benefit from AGOA. So far, Nigeria, South Africa, Gabon and Lesotho have benefited from AGOA.

#### **2.5 AGOA Country eligibility/determination**

The legislation authorized the President of the United States to determine which sub-Saharan African countries would be eligible for AGOA on an annual basis<sup>5</sup>. The eligibility criteria was to include improved labor rights and movement toward a market-based economy. Each year, the President evaluates the sub-Saharan African

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<sup>5</sup> <http://www.wikipedia.com>

countries and determines which countries should remain eligible. Currently, there are 37 AGOA-eligible countries.

The criteria for eligibility are:-

- Establishment of market-based economies;
- Development of political pluralism and rule of law;
- Elimination of barriers to US trade and investment;
- Protection of intellectual property;
- Efforts to combat corruption;
- Policies to reduce poverty;
- Increase availability of health care and educational opportunities;
- Protection of human rights and worker rights, and
- Elimination of certain practices of child labor.

The designation of AGOA beneficiary countries is based on the results of countries progress and efforts in these and in some other areas.

## **2.6 AGOA: Prospect and Retrospect**

### **a) Prospect**

In general the act offers a wide variety of opportunities to businesses, workers, manufacturers and farmers in eligible countries. But it is important to remember that the act can only offer opportunities and it would be up to the African countries to seize the opportunity provided in the act and to create enabling environments to strengthen prospects for expanded trade and investment.

While the African Growth and Opportunity Act is good for retailers, it is also good for America as a whole<sup>6</sup>. Africa is an untapped emerging market in the world and it has the potential for expansive growth. This legislation would provide a launching pad for American exports to Africa by enabling them to expand their imports from Africa. The United States cannot increase exports to a country that does not have the means to buy its goods. By buying goods from African countries, Americans would be exchanging capital, which can in turn be used to purchase their own exports. Importing Sub-Saharan African goods will create a great export opportunity for the U.S., and increased exports to Africa will create not only capital, but also jobs in the United States.

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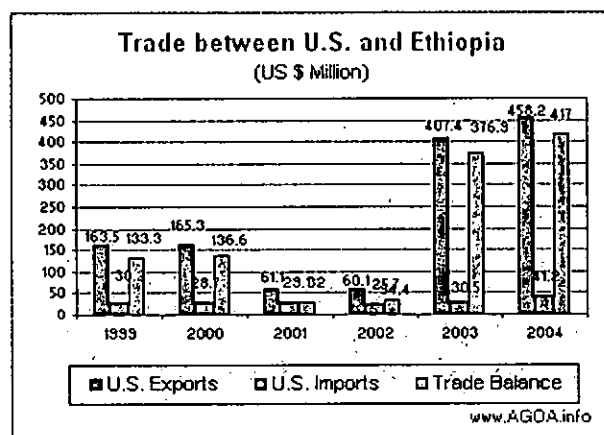
<sup>6</sup> <http://www.agoa.info>

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While many legislators, companies and consumers already recognize the advantages of increased trade with Africa, some have expressed concern. The United States will prosper economically from the African Growth and Opportunity Act, but some are afraid that the provisions that eliminate quotas will encourage quota fraud and transshipment of clothing produced in Asia. This is absolutely untrue. U.S. Customs officials have reported that Africa is not currently a platform for transshipment. In addition, because production of apparel in the African countries is extremely limited, a dramatic increase in apparel exports would be quickly noticed and easily tracked by the U.S. Customs Service.

The African Growth and Opportunity Act is a win-win prospect for everyone. This legislation will help to ensure that companies, such as Kmart, are able to provide the best quality goods to customers at the lowest possible prices. On a larger scale, as the African economy emerges, this bill offers a great opportunity for U.S. businesses to maximize trade and investment opportunities in Africa. The African Growth and Opportunity Act will stimulate private investment in Africa and will transfer the U.S. policy toward Africa from aid to trade for Sub-Saharan countries committed to economic and political reform.

**b) Retrospect**



Bilateral trade between Ethiopia and the United States peaked in 1999 and 2001, but has since dropped sharply. Ethiopia is a net importer of U.S. goods, and in 2002 recorded a trade deficit of \$ 34 million.

Total exports to the US in 2002 amounted to \$ 25 million (2001: \$ 28 million). Exports eligible under the newly-added AGOA product categories amounted to only \$ 0.2 million in 2001, the first full year of operation of AGOA, and increased to \$ 1,3 million in 2002. They consisted exclusively of 'textiles and apparel' and 'agricultural products'. Ethiopia met the 'Rules of Origin' requirements for wearing apparel on



August 2, 2001, in addition to being classified as a 'Lesser Developed Country' (providing a window of opportunity for sourcing third country textile inputs for the production of AGOA-eligible garments). There are tentative indications that there will continue to be year-on-year increases in AGOA exports from 2002 onwards, especially in apparel exports.

The make-up of Ethiopia's exports to the U.S. currently consists mostly of 'agricultural products', although this is likely to diversify over time as AGOA-eligible products begin to feature more prominently in exports.

AGOA came into view in August 2001, when Ethiopia qualified for it. Ethiopia became the 18 beneficiary countries in terms of textiles and garments. AGOA gives Ethiopia the opportunity to export textiles and garments to the United States duty-free and quota-free until 2008.<sup>7</sup> It also lets Ethiopia enjoy the privileges to export garments made of fabrics from any other countries to the U.S. market, duty-free and quota free.

It is, however, disconcerting to note that Ethiopia's share from AGOA within the sub-Saharan African Countries has decreased from 0.03% in 2002 to 0.02% in 2003.

The African Growth and Opportunity Act has brought in exports, investment and jobs for countries from Lesotho and Swaziland to Kenya and Ethiopia. Most notably, imports of clothes from Africa are up by a million dollars a day compared with the period before the bill's signing, even though overall American clothes imports have dropped.

The opportunity that successful trade policy presents is to ease relations among great powers, strengthen constituencies with an interest in cooperative relationships and management of disputes and conflicts. When governments and trade advocates make this case, trade policy will succeed.

Let's see below how the Textile and Apparel Export to the United States of America has progressed since 2001 through the following graphs<sup>8</sup>:-

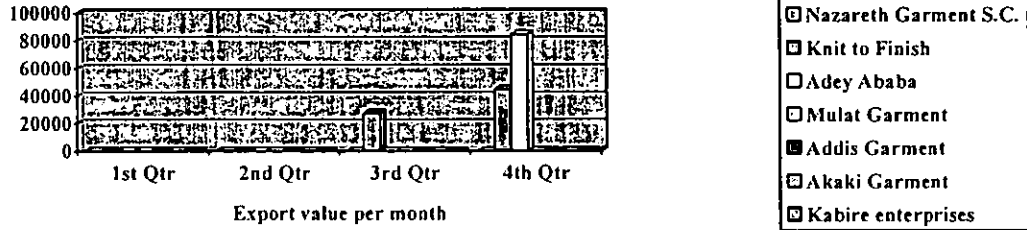
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<sup>7</sup> <http://www.agoa.info>

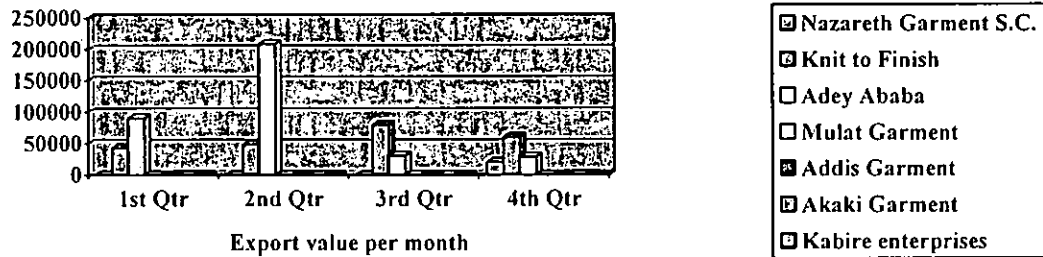
<sup>8</sup> Ministry of Trade and Industry (2004). *AGOA: Principles, Nature and the Ethiopian Experience*, Addis Ababa.

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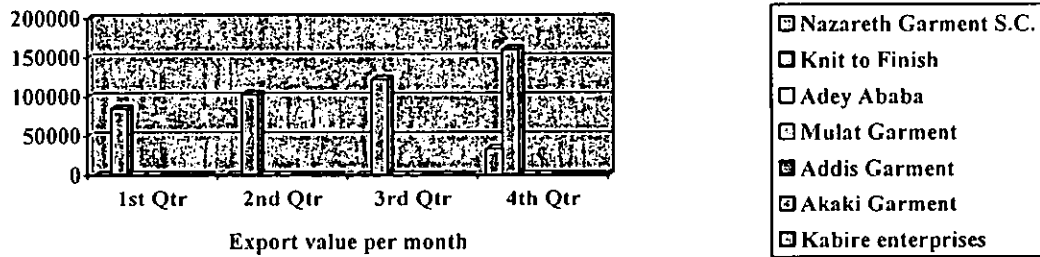
**2001  
Textile and Apparel Exported**



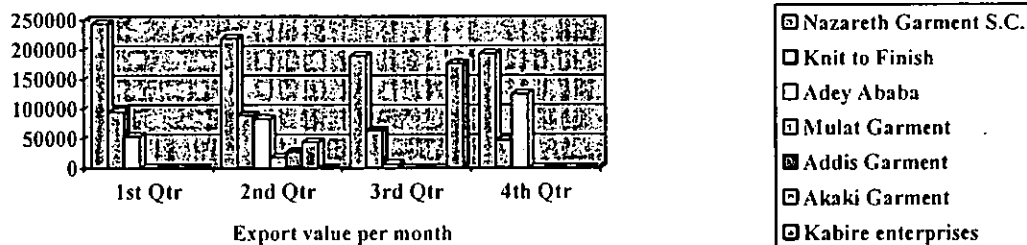
**2002  
Textile and Apparel Exported**



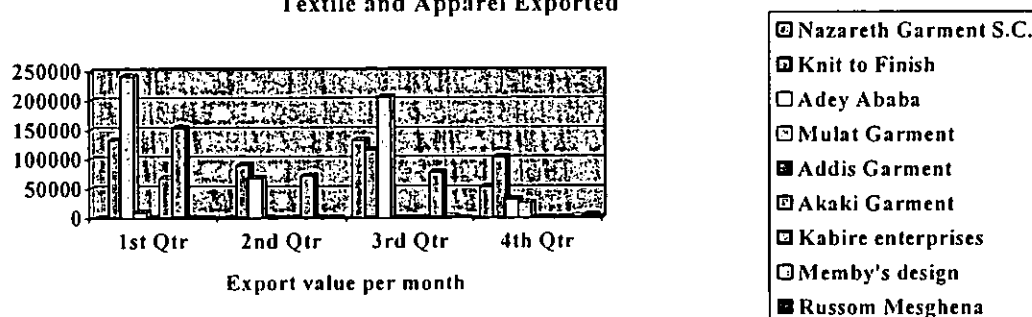
**2003  
Textile and Apparel Exported**



**2004  
Textile and Apparel Exported**



2005  
Textile and Apparel Exported



## 2.7 Other Trade Opportunities

African countries have also been granted other opportunities such as the Everything But Arms (EBA) Initiative. On 26 February 2001 the General Affairs Council adopted the Everything But Arms amendment to the EU's Generalised Scheme of Preferences (GSP). Published in the Official Journal on 1<sup>st</sup> March, this regulation has been implemented since 5<sup>th</sup> March 2001.<sup>9</sup>

EBA extends duty and quota free access to all products originating in Least Developed Countries (LDCs), except arms and ammunition. This now includes all agricultural products by adding such sensitive products as beef and other meat; dairy products; fruits and vegetables from apples to asparagus and from cucumbers to courgettes but also processed fruit and vegetables; maize and other cereals; starch; oils; processed sugar products; cocoa products; pasta; and alcoholic beverages. Only the three most sensitive products are not liberalized immediately: fresh bananas, rice and sugar.

Given the great number of developing countries, differences between them – in terms of level of development – are huge. The rationale of the GSP is that developing countries cannot compete with developed countries. At present, some developing countries cannot even face the competition of other developing countries. Thus, there is a need to target the tariff preferences available under the GSP to these least developed countries, which need them most.

At present, 49 developing countries belong to the category of LDC's. The provisions of the EBA regulation have been incorporated into the GSP Regulation.

Duty free access will be granted for bananas in January 2006, for sugar in July 2009 and for rice in September 2009.

<sup>9</sup> <http://europa.eu.int/>

The EBA regulation foresees that the special arrangements for LDC's should be maintained for an unlimited period of time and not be subject to the periodic renewal of the Community's scheme of generalized preferences. Therefore, the date of expiry of Council Regulation (EC) N° 2501/2001 does not apply to its EBA provisions.

## **2.8 Challenge of AGOA for developing countries**

AGOA is a move in the right direction but it is complicated and restrictive. There are other serious gaps in the trade and investment provisions of the Act.

While the legislation, for example, addresses the question of market access for African products under the GSP (and here too, there are several conditionalities that African exporters must meet in order to gain entry into the U.S. market under the provisions of the Act), it fails to see the question of the terms of trade of African countries.

Yet, since the early 1960s, the terms of trade of these countries have been undergoing a continuous decline, with adverse implications for national economic development. Several academic and policy studies have pointed to the magnitude of the decline. According to the World Bank, to cite one example, between 1977 and 1991, sub-Sahara Africa's barter terms of trade in weighted 1980 dollars fell from 131 to 79 (1970-1973=100).

The problem of Africa's declining international terms of trade suggests clearly that, while the countries of the continent must strive to be competitive<sup>10</sup>, competitiveness is not in and of itself sufficient to deliver stable development. As the experience of the adjustment years has amply demonstrated, the implementation of comprehensive trade policy reforms, including currency devaluation as a strategy for improving the competitiveness of African exports, has not been rewarded with revenue receipts that are commensurate with export volumes. The terms of trade issue, therefore, suggests the need to match domestic efforts at improving Africa's competitiveness with the creation of a more conducive international environment for African countries to realize their developmental aspirations. It also underlines the urgent necessity for a wider diversification of African exports so that the countries of the continent are not all competing with the same products in the same markets. What the Act offers is not a set of measures aimed at promoting a conducive international framework for African development but, rather, a one-sided strategy for opening up Africa to American and other Western trade and investment on terms

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<sup>10</sup> <http://www.agoa.info>

that are favorable to the developed countries. Senior American officials, in declaring their support for the Act, have always underlined the position that "Africa represents the largest untapped market" and that it "¼ represents a great opportunity for the United States". Congressman Rangel perhaps put across the American interest most directly when he told a Worldnet television audience that the Act is not "¼ just a question of goodwill and brotherhood - and sisterhood. It's a question of economics. ¼ if America is going to maintain its leadership in international trade it must develop new markets, and Africa has been overlooked for far too long". Thus, the challenge of providing the continent with the possibility of establishing a meaningful framework for the realization of stable and remunerative prices from a diversified and locally processed commodity export base remains unmet.

## **2.9. Textile sector**

### **2.9.1 Overview of Ethiopian textile sector**

In a discussion with investors on 9 March 2004, the Minister of Trade and Industry, Mr. Girma Birru and the State Minister, Mr. Tadesse Haile, called on the private sector to enhance their participation in textile manufacturing in Ethiopia.<sup>11</sup>

In this occasion, it was pointed out that the 'textile sector provides an auspicious opportunity to carry out dependable shares in the foreign market'.

The State Minister took this occasion to refer to the African Growth and Opportunity Act (AGOA) and its role in providing 'favorable grounds to intensify textile development activities'.

In the same vein, the Ministry of Information issued a statement on 19 November 2004. The main point of this statement being that although Ethiopian agriculture employs the vast majority of the people and it is the backbone of the national economy at present, it is inevitable that industry will eventually take over as the mainstay of the economy.

The textile sub-sector's product export has earned large sum of foreign currency for the country. As a result of the governmental export incentives and opportunity of international trading environment, in the past few years, the export of textile product has seen significant increase.

When we come to the development of cotton and garment sub-sectors, before 1960, most cotton products made in Ethiopia depended on raw material imported, and

<sup>11</sup> [www.mfa.gov.et](http://www.mfa.gov.et) - Trade and Industry Ministry calls for increased private sector participation in textile development (9 March 2004)

cotton import alone occupied roughly 30% of the total import value in Ethiopia.<sup>12</sup> As a result of the increased demand on cotton from textile sub-sector, the large scale planting of cotton was initiated, and the development of cotton sub-sector was promoted.

#### **2.9.2 Strengths and Potential Growth of textile sector**

Ethiopian textile sub-sector is the third largest manufacturing industry, only latter than the food processing and beverage industry, and leather industry. In fiscal year 2000/01, with a total output value of 699.91 million birr, the contribution of textile sub-sector to national GDP is 1.35% and to the output value of the manufacturing industry is 8.31%.

Ethiopia is endowed with favorable geographical and weather conditions and abundant water resources. The expansion of cotton planting and rise of yield will guarantee sufficient supply of raw material for textile.

Furthermore, Ethiopia is endowed with cheap labor force. By means of the processing of raw material, it is possible to upgrade industrialization level, and promote the development of the whole economy.

#### **2.9.3 Challenges faced by the Ethiopian textile sector**

Ethiopia has a large territory with a large population. There is a large potential market. However, the per capita fiber consumption is roughly 1 kg, which is far below the world's average level of 8.7 kg and Africa average level of 3.2 kg. It is estimated that domestic fiber demand will increase at an annual rate of 5%, and the large and continuously increasing domestic market will fuel the development of textile sub-sector.

According to government officials, the potential for textile and apparel products is dampened, however, by increasing international competition stemming from removal of global quotas in 2005.<sup>13</sup>

<sup>12</sup> Ministry of Trade and Industry. Study Report on the Development Strategy of Textile Sub-Sector, (unpublished) prepared by China Textile Planning Institute of Construction, 2005 pp. 4,7, 9, 10, 31,32,42.

<sup>13</sup> African Growth and Opportunity Act Competitiveness Report – Prepared by the Office of the United States Trade Representative, July 2005, pp 49, 50, 51.

The major challenges faced by the export sector in Ethiopia are:

- Lack of access to international information and technology,
- Lack of skilled labor due to social instability, civil unrest, recurring famines, disease and population displacements.
- Outdated in product processing facilities in agricultural sector; and most products do not meet US and EU quality standards.
- High cost of inputs in the manufacturing sector which affects competitiveness
- Customs clearance delays
- Insufficient textile and accessories suppliers so limited expansion in the apparel sector
- Lack of paved roads, communication infrastructure, access to mobile and Internet
- Structural problems in banking and finance sector which entail limited access to credit and foreign exchange
- Low capacity to meet Sanitary and Phytosanitary Measures (SPS)

Due to these constraints products are shipped to other countries for processing and packaging and subsequent export to the United States or the EU.

#### **2.9.4 Availability of Raw material for textile sub-sector**

Ethiopia has enormous potential for the production of cotton. A recent study of the Ministry of Agriculture indicates that there is some 2,575,810 Ha of land suitable for cotton production, which is equivalent to that of Pakistan, the fourth largest producer of cotton in the world.

The low to mild altitude areas of the country are generally known to have an immense potential for the production of cotton subject to the availability of water. In terms of productivity, high yields are obtained in areas with an altitude ranging up to an altitude of 1000 meters above sea level. In the absence of hail, frost, and other unfavorable weather conditions, cotton production can also be extended into areas with altitude of 1500 meters above sea level.

Out of the total 2.6 million Ha of land suitable for cotton production, 1.7 million Ha or 65% is found in 38 high potential cotton producing areas and the remaining 0.9 million Ha or 35% is in 75 medium potential districts. Despite this immense potential, Ethiopia currently produces only about 77,000-84,000 MT of raw/seed

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<sup>14</sup> <http://www.ratescenter.org/>

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cotton annually from a total cotton area of 42,371 Ha. Annual cotton area planted in Ethiopia accounts for about 3.6% of the total cotton area of eastern and southern Africa. Cotton is presently produced under both rain-fed and irrigated conditions by state farms, private commercial farms and smallholders.

There are five state owned enterprises producing cotton in the country. These are Tendaho, Middle Awash, Upper Awash, North Omo and Abobo. During the period 1996/1997, these state enterprises cultivated about 13,000 Ha of cotton land per annum using irrigation, which is only 42% of the pre-reform level.

Ethiopia has exported about 4,989 metric tons of lint cotton per annum during the period 1996/1997. Import of lint cotton, however, was not negligible. The amount exported represents 17% of total annual domestic production of lint cotton.

The major cotton markets of Ethiopia are Africa, Asia, and Europe.



### **3.0 SURVEY ANALYSIS**

#### **3.1 Introduction**

As noted previously, the African Growth Opportunity Act (AGOA) is a market opportunity provided by US Government to sub-Saharan African countries to export their products free from tariff and quota. AGOA, came to effect on October 1, 2000 after president Clinton signed into the historic law called "AGOA 2000" on May 18, 2000.<sup>15</sup> The opportunities established by AGOA are targeted towards 48 sub-Saharan African countries.

However, not all sub-Saharan African Countries automatically receive the benefits of AGOA. The AGOA trade benefits are extended only to those countries that meet specific eligibility criteria set by the US Government.<sup>16</sup>

In this chapter, the researcher will analyze survey results and highlight specific challenges faced by exporters and what the Government is doing to alleviate some of the challenges. The opportunities will also be reviewed and analyzed.

#### **3.2 Socio-Economic Characteristics of Exporters**

Out of a total of ten companies exporting under AGOA, the survey has sampled five companies and have conducted in-depth interview with the managers. The result is as follows:

As Table 1 below shows, in total these enterprises have exported 1,722,575 USD in 2005. As indicated in Table 2 when we compare it to 2001 exports which amounts to 156,713.16 USD, the export of the enterprises showed a remarkable increase of 90%. From this table we can also observe that in 2001 there were only two companies exporting under AGOA to the United States of America but year after year the number of exporters increased and finally reached ten in 2006. This shows that the Government of Ethiopia has made available a lot of incentives, which we will see in the later part of this paper and that the exporters have been given information so as they can participate in the AGOA export.

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<sup>15</sup> Ministry of Trade and Industry. *AGOA: Principles, Nature and the Ethiopian Experience*, Addis Ababa, May 2004, p. 1.

<sup>16</sup> J. Diamond, *Market Access & Compliance*, United States Department of Commerce, International Trade Administration, Office of Africa, March 2005, p. 2.

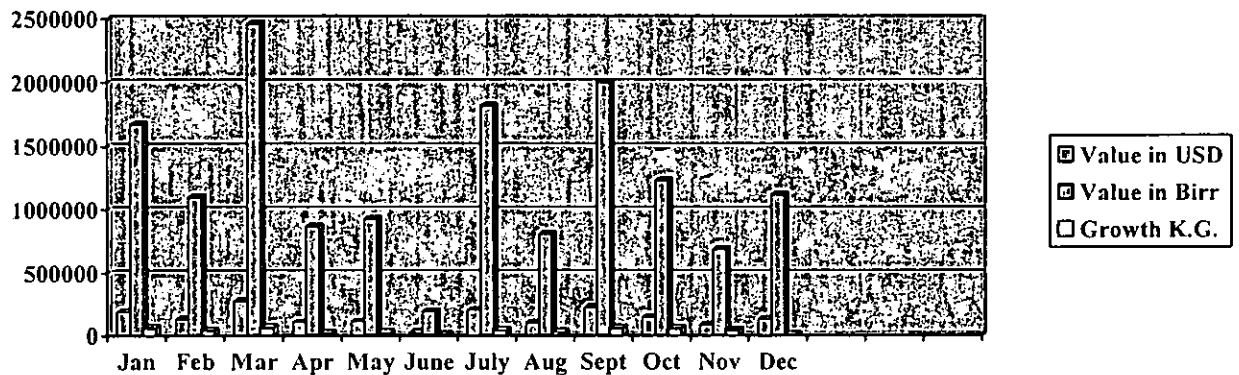
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**Table 1: Ethiopia's Export in 2005 on textile and apparel under AGOA from all the companies**

Month	Growth K.G.	Value in USD	Value in Birr
Jan	55,765.00	193,501.99	1,674,140.52
Feb	36,859.00	127,385.41	1,102,113.09
Mar	57,439.00	284,577.24	2,462,105.37
Apr	17,232.00	100,248.41	867,329.19
May	22,264.00	107,359.32	928,851.36
Jun	9,564.00	22,767.36	196,978.65
Jul	38,727.00	210,070.26	1,817,485.88
Aug	25,282.00	93,436.19	808,391.23
Sept	52,254.00	231,415.84	2,002,163.56
Oct	50,223.00	142,436.29	1,232,330.29
Nov	40,367.00	79,771.14	690,163.95
Dec	7,354.00	129,605.83	1,121,323.72
Total	413,330.00	1,722,575.28	14,903,376.81

Source: Ethiopian Customs Authority- AGOA

Table 1 can be seen graphically as below:



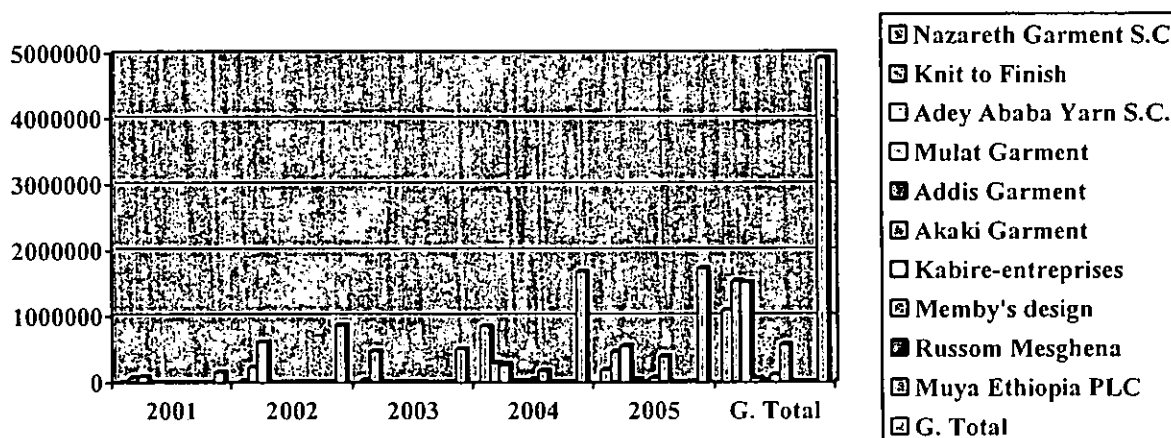
**Table 2: Textile and apparel exported to the United States of America since 2001**

	Name of the exporter	2001 0.00	Value of Export (in USD)					
			2002	2003	2004	2005	G. Total	Percentage
1	Nazareth Garment S.C	72,159.96	20,250.40	33,540.12	845,442.73	189,511.00	1,088,744.25	100
2	Knit to Finish (Garment Express PLC)	84,553.20	231,791.32	470,702.66	293,864.07	460,238.00	1,528,756.01	84
3	Adey Abeba Yarn S.C	0.00	612,377.30	0.00	269,221.56	546,771.00	1,512,923.06	84
4	Mulat Garment	0.00	0.00	0.00	17,881.84	46,089.00	63,970.84	100
5	Addis Garment	0.00	0.00	0.00	27,313.48	0.00	27,313.48	0.00
6	Akaki Garment	0.00	0.00	0.00	44,160.00	67,471.99	111,631.99	100
7	Kabire-enterprises (Maa Garment)	0.00	0.00	0.00	176,372.42	393,200.00	569,572.42	100
8	Menby's design	0.00		0.00		5,762.00	5,762.00	100
9	Russom Mesghena	0.00	0.00	0.00	0.00	5,542.00	5,542.00	100
10	Muya Ethiopia PLC	156,713.16	0.00	0.00	0.00	7,990.21	7,990.21	100
	<b>Total</b>		<b>864,419.02</b>	<b>504,242.78</b>	<b>1,674,256.10</b>	<b>1,722,575.20</b>	<b>4,922,206.26</b>	<b>90</b>

Most of the enterprises have shown a 100 percent increase comparing 2001 and 2005 export value because they had not started exporting in 2001. Only 2 enterprises, Knit to Finish and Adey Ababa had started export as far back as 2001. The two companies have shown 84 percent increase in their value of export. In general, the total percentage increase is 90 percent for all the enterprises together.

Graphically table 2 can be seen as below. Note that Knit to Finish has the highest export from the ten and one reason is because it started from the beginning in 2000.

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As the following table shows, these enterprises revealed their type of engagement which was in knitted and woven garments, Memby's Design is specialized in woven garments for home and personal accessories, whereas Adey Ababa is specialized on textile – t-shirts, sport wears, suits. Knit to Finish was the first to be in operation as soon as the AGOA agreement was signed in 2000 whereas Wow International only joined in 2006.

During the interview the representative of the enterprise said that they were motivated to engage in the export business due to international exposure and the potentiality for profit in the engagement. In addition, knowledge of market when importing and the dream of extracting the country from poverty was described as the major motivating factors.

**Table 3: Export Type, Period of operation and Motivation**

Export Name	Export Type	Period of operation	Motivation
Kiber Enterprise	Knitted and woven garments	2004	International exposure
Knit to finish	Garment manufacture – Sport wears	2000	Profit
Memby's Design	Woven garments for home and personal accessories	2005	Personal so as to enhance capacity of our country and hoping that things will improve in the future.
Adey Ababa	Textile – T-Shirts, Polo shirts, etc	2003	To substitute imported product and generate profit
Wow International	T-Shirt and Jeans initially but now produce suit	2006	Knowledge of the market when importing and to contribute for country

Source: Survey Data

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The engagement of these enterprises in the AGOA has effected an increment in the Ethiopian quota. They have also contributed in the earning of foreign exchange for the country. These enterprises were able to penetrate the foreign market besides the many challenges faced. Devaluation of the Ethiopian Birr has also helped boost the export potential of these enterprises. Competition among these exporters has also yield a better quality of exported products.

### **3.3 Source of Capital and credit facility**

The enterprises interviewed had either foreign investment in Ethiopia as source of initial capital, personal capital, government capital or both backed with credit facility. Their initial capital is as low as 100 thousand and as high as 57 million birr. While Adey Ababa had access to credit facility from the government the others were not even aware of such facility or as in the case of Memby's Design who is aware of the facility but thought that interest rate and collateral requirement were too high.

**Table 4: Amount and Source of initial capital and access to credit facility**

Name of Exporter	Amount of initial capital In Birr	Source of initial capital	Access to credit facility
Kiber Enterprise	57 million	Foreign investment in Ethiopia	No
Knit to finish	-	-	No
Memby's Design	100 Thousand	Personal	Yes there is credit facility from Government and USAID but interest and collateral is high. And will try it later.
Adey Ababa	7.2 million	Government	Yes we have credit facility from bank
Wow International	15 million	Personal and Bank credit	

Source: Survey Data

### **3.4 The opportunities for Exporters: An overview of the effort of the Ethiopian Government**

The above increase in volume has been achieved as a result of a number of supports provided by the Ethiopian Government. Providing these supports has been pertinent as a result of the difficulty for the Ethiopian exporters to penetrate the market without incentives from the government. For them to use the opportunity they need

to have the backing of the government in terms of land, infrastructure, capacity building, credit facility and lower interest rate.

According to the informant in the Ministry of trade, the government has so far put forward 1.5 billion birr for loan for export companies thus far. The interview also disclosed that the Ethiopian government has also forwarded the following incentives:-

#### Export Trade Duty Incentive Scheme

→ The purpose of the scheme is to relief exporter from the burden of duties and taxes that add to the cost of an export product, which can make a significant impact on export competitiveness

→ Three types of duty incentive scheme are available:-

Duty drawback scheme: exporters would be refunded 100% of the duty paid on raw materials used in the production of commodities upon exportation of the commodity processed. And the duty includes all indirect taxes and duties paid on raw materials and commodities imported or produced locally.

Voucher scheme: A voucher is a document having monetary value, printed by the Ministry of Finance and Economic Development, to be used as deposit for duties and taxes payable on imported raw materials, the voucher is issued by Ethiopian Customs Authority in the amount of taxes and duties paid on raw materials they may import.

Bonded manufacturing warehouse scheme: the beneficiaries are producers wholly engaged in exporting their products, and who are not eligible to use the voucher scheme.

In addition to the above incentives, government has made available land for investors. They have been given an industry area where they can buy land at a very minimal price or they rent it with minimum amount. The government has given this because Ethiopia should use AGOA in time. The area given has all the infrastructure, electricity, telephone, fax, water, and road. Those who have used this scheme have been successful and have established themselves. Other lands have also been available in the region with all the infrastructures.

The investors can also import machinery with no tax with all the attachments and also export free of tax.

The government has been investing in capacity building for exporters to have skilled manpower. Since there is scarcity of human resources in the textile sector government has been training through schools and through government training institutions to make available for investors.

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The government also gives 70% of the capital that investor's use and only 30% is required from the investor. This is done through the development bank of Ethiopia.

### **3.5 Overview of the challenges faced by Ethiopian Exporters**

Despite the rise in export under the AGOA framework and the incentive provided by the Ethiopian Government, Ethiopian exporters however have encountered a number of challenges. As the in-depth interview with Memby's Design manager indicates exporters have scarcity of raw material so they are forced to import from abroad for processing and then exporting again. Also bureaucracy when importing raw material is impossible. The customs office should relax some of the bureaucracy for those importing under AGOA. The government should address this issue very quickly before it goes out of hand. To quote one of the exporters, "the problem is not lack of order but lack of raw material". So if they do not have raw material for the order, the exporters will not accept orders because they cannot predict how long it will take to import the material or they do not get the material they got one month ago from within the country.

The other big challenge is that by 2007 AGOA will not allow exporters to import raw material from abroad. The exporters will be forced to work with the raw materials available in their own country and the quality has to match international standard. It is my view that this will not be possible given the current reality of Ethiopia. And if the government does not address the issue there is a great likelihood that the existing increment in export will dwindle.

AGOA its self will expire in 2015, it is observed that even with the quota free privileges, exporters have not been able to penetrate and maintain the market. Therefore, once these privileges expire, how will they be able to face the challenges that are out there? Shouldn't the government of America extend the deadline of AGOA until the exporters are able to stand on their two feet?

As the interview with Ato Addis Alemayehu, Representative of USAID on AGOA, revealed the third problem which exporters face has to do with production of cotton. Ethiopia has cotton but producing textile from the raw material is problematic. Industries are re-developing their textile mills those like Bahir Dar, Combolcha and Akaki Textiles. The other challenge so far faced by exporters is the scarcity of skilled labor. The government is facing this challenge by training human resources through specialized schools so as to be able to have skilled manpower.

Companies are now starting to seriously look into those markets with government incentives and with the public forum that meet every three months every company

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from customs, Ethiopian airlines and all other sectors meet to work out some of the problems. And it is the view of Ato Addis Alemayehu that if they work out logistical problems and emphasize marketing problems, Ethiopia may have a good chance to export to Europe if not to America due to closeness of the market.

The only support thus far in terms of AGOA is USAID project AGOA plus which is a Two-year project. It has put one person at the Chamber of Commerce to give support to textile sector. This project also works closely with the Regional USAID office in Kenya and plans to have Trade shows to the US with sponsoring Ethiopian companies with a co-sharing plan.

Furthermore, it is suggested by the USAID Representative on AGOA that Ethiopian companies need to learn to work together. They will not go far otherwise. Kenya has taken advantage of AGOA because they work together and market the country first. Ethiopian companies lack the basic understanding that the competition is not here but out there with China and Korea.

### **3.6 View of Government and USAID officials about AGOA**

As indicated in chapter one of this paper, the researcher conducted an in-depth interview with USAID official, Ato Addis Alemayehu, Representative on AGOA issues, and Ato Aregahegn Tesfa Michael, Public Relation of Ministry of Trade and Industry. The following is the finding of the in-depth interview:-

AGOA is an advantage and should be exploited carefully. Government has to support investors in all its capacity and is doing so thus far. There are many challenges facing Ethiopia, one is that the industry is at its infant level and infrastructures have to be set up. The government is addressing these effectively according to Ato Aregahegn Tesfa Michael. Quality of raw material is not up to the standard so investors have to import from abroad to meet the quality. This will have to stop by 2007 as US Government will not allow it. But the Government has to negotiate with the US Government to extend the deadline beyond 2007 or exporters will have to use 100% Ethiopian cotton after its quality has been improved.

In terms of the overall standing for Ethiopia out of 37 countries, Ethiopia currently stands at number 19 in terms of export to the US.

In the next year or two Ethiopia is considered to take substantial advantage of the situation and there is a surge in the number of investments specially in textile and garment. These companies will be ready for production this year or by next year. In addition, the government has initiated a privatization program of all the textile firms



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under its management. As of now the government is selling 100 per cent of the textile assets to private companies which will see more investment, better management, more production and overall a better export to the US and to the rest of the world.

Ato Addis Alemayehu said that in the future, USAID has created an enabling and productive solution to working with everybody, the program is continuing with what it has started with working with partners, with the Ministry of Trade and Industry, Ethiopian Export Promotion Agency, Ethiopian Embassy, the private sector through Ethiopian Chamber of Commerce and this is going to take all effort of stakeholders working together. It is not one single department that can help Ethiopia's export under AGOA. It has to be all the stakeholders working together as a team. So the mandate of USAID is to create a team and move forward and working together.

Moreover, Exporters have approached the Prime Minister of Ethiopia and have led out the challenges faced on their part. The Prime Minister has tried to give them solutions and results that can be obtained with the solutions. Next table will show challenges, solutions and results:-

Challenges	Solutions	Results that will be attained
<b>Raw material and accessories availability</b>		
Raw cotton that is produced in the country is not of the wanted quality; the cotton size and length has not been identified so the wanted quality production could not be produced	Research firms should back Cotton producers so that they can produce quality and large quantity of cotton.	Use quality cotton as raw material and increase productivity with quality products in the market and be competitive.
For textile and garment production raw material other than raw cotton are polyester, silk, Lycra, nylon, etc. are wanted but these are not available in the country	Petro chemical products such as Polyester and nylon raw material should be produced in the country by building capacity.	Raw materials and accessories will be available in the country so product delivery time will be met and price competitiveness will result
Raw material and accessories problems:  - Knitted fabrics for garment industries are not in large quantity  - Woven fabrics - local enterprises cannot produce	Different weights/density wanted for the market. Knitted fabrics can be produced in enough quantity in the country.  Based on long term contract with other textile factories with international standard woven	Garment factories should produce with full capacity and should be price competitive in the market  Take available market opportunities.  Knitted fabrics and woven fabrics should be exported and increase foreign currency  Production factories in the country

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Challenges	Solutions	Results that will be attained
woven fabrics in difference choices, quality or quantity. Garment factories use high foreign currency to import woven fabrics	fabrics can be produced by local producers to get good quality and create linkage	should be on raw materials so that the country can be independent supplier of raw material for textile industry.  Create linkage between industry and agriculture development, lasting employment reduce poverty. Textile and garment industry production and coloring technology exchange implementation and make available skilled manpower in this area.
Garment accessories are not produced in the country, available foreign market opportunities cannot be exploited: Zipper, Button, Label, packing material and others.	Until accessories are produced in the country make sure that we can import easily with available foreign currency.	Produce Textile garment in good quantity for foreign market
Since raw material and accessories in needed quantity with competitive price is not available, factories cannot supply demand of foreign countries.	Textile, garment, coloring woven fabrics producers should specialize and government should create a strategy for the whole country and follow up.	Help producers attain full capacity so that profit can be obtained.  Ethiopian air condition and soil fertilization is good to produce cotton with (long and thin tail cotton); Silk and other kind of raw material, help our country to be the supplier of the continent and this will help rural and urban unemployment problem.
10% excise tax on producing enterprises compiled with the weakness of the area make them not to be competitive in the country.		
Production Problems		
Machineries for the above-mentioned raw material, accessories for woven and knitted fabrics production have a very high price.	Make available machineries with long-term loan from Commercial Bank by paying small commissions as collateral.  Make available from the Ethiopian Development Bank, factory building and construction finance.	Not miss foreign market due to lack of raw material and choice of coloring.  Enhance production capacity.
Ethiopian Development bank lending criteria is very long and very complicated	Make sure that this can be quick and easy.	Time and strength can be saved in short term and can continue to production phase quickly.
No skilled labor in the sub	Give to all producing	The country will be sustainable

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Challenges	Solutions	Results that will be attained
sector	enterprises adequate training on the job.	producer.  Replace skilled labor from abroad paid by foreign currency with national skilled labor.
<b>Marketing Problems</b>		
Ethiopian foreign outlet not available.	With the help of Ethiopians living abroad implement outlets in the foreign markets until they can generate their own profit, rent offices and stores and send for a temporary time employee and other fees to identified export enterprises.	It helps to send what is produced to foreign market.  Made in Ethiopia labels in stores in foreign market will change the image of Ethiopia.  Based on feedback produce garment so that to secure foreign currency.
From different places within the country towards Djibouti especially timely transportation is not available and also costly when available.	Make available with minimum cost sufficient transportation; make sure to establish good linkage with the concerned body.	This will make us price competitive and helps to keep delivery time.
Transport, maritime and other costs makes export companies not competitive in the market	Establish voucher system with these service-giving enterprises and until export enterprises are strong enough make sure that they are free from these payments. From the collected vouchers make service-giving enterprises free from income tax.	By using time and money efficiently it helps enhance our country competitiveness.
Under export incentive credit scheme loan repayment is 6 months payment and this is beyond capacity and stressful	Make sure that credit can be repaid within one year.	By increasing the number of exporters we can increase foreign currency level.

#### **4.0 Summary, Conclusion and Recommendations**

This chapter consists of summary, conclusion and recommendations.

In the summary part, the researcher will show the opportunities and challenges in AGOA in a concise manner. Conclusion and recommendation would also be given in this section based on the analysis in Chapter Three.

#### **4.1 Summary**

The findings of this paper are based on opportunities and challenges.

**The opportunities are:**

- Trade preferences for quota- and duty-free entry into the United States;
- There is Generalized System of Preferences (GSP) program under AGOA for certain goods;
- Government of Ethiopia provides incentives to those engaged in exporting under AGOA. These incentives are Export Trade Duty Incentive Scheme, namely: Duty drawback scheme, voucher scheme and Bonded manufacturing warehouse scheme;
- Although there is no forecast for AGOA, data available are up to date (2005);
- Government has privatized textile and garment industry thus leading to a surge of new investors in the textile sub-sector; and
- Government and USAID have set up an office in the Addis Ababa Chamber of Commerce to enlighten Ethiopian textile industry to Export under AGOA and to give them guidance.

**The Challenges are:**

- Scarcity of raw material;
- Exporters are forced to import raw material from abroad. This will eat up the foreign currency that is earned;
- Bureaucracy when importing raw material;
- Due to lack of raw material, orders are not processed on time;
- Access to credit facility is difficult. Exporters are asked to provide high collateral; and
- There are only few industries in the textile and apparel sectors that are involved in exporting under AGOA;

#### **4.2 Conclusion**

Therefore, the researcher concludes that although there are many challenges facing Ethiopia to properly utilize the African Growth Opportunity Act (AGOA), the government has put in place an incentive package that gives a lot of opportunity for exporters. The government has also started to privatize textile and garment industry, which has led to a surge of new investors in the area.

In addition to the government action towards utilizing AGOA in full, USAID in collaboration with the government has set up an office in the Addis Ababa Chamber of Commerce to give free information to Exporters.

It is the opinion of the researcher that Ethiopia will continue to fully benefit from the opportunities of AGOA and will be one of the leading sub-Saharan African countries in the production and export of Textile and garment industry.

#### **4.3 Recommendations**

To fully and successfully benefit from AGOA, the Ethiopian government and USAID officials should undertake the following measures:-

- Put forward additional incentives specifically regarding skilled manpower and raw material;
- Decrease interest rate and collateral requirements for credit facility;
- Give additional training facilities for skilled manpower;
- Create greater awareness for enterprises so that they can export and benefit under AGOA as some do not even know what AGOA is;
- Make available the needed quality and amount of raw material; and
- To forecast what Ethiopia is going to attain in terms of export under AGOA.

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