



The Chairman
AGOA Implementation Subcommittee of the Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, NW.,
Washington, DC, 20508
United States of America

Republic of Madagascar – Renewal Eligibility for Trade Benefits under the African Growth and Opportunity Act (AGOA)

Mr. Chairman,

As a company that is committed to socially responsible practices and the protection of worker rights, the adidas Group is writing to state its concern over the US Government's potential suspension of trade for Malagasy exports under AGOA. We believe this action will result in the downsizing and possible closure of factories and this will lead to the widespread loss of employment for workers in the garment industry in that country. This could further destabilize an already fragile economy, one which has been seriously weakened by the global economic recession and the ongoing domestic political crisis.

The decision before the Committee whether to recommend the renewal, or suspension, of this trade benefit, rests on an expectation of political reform and a return to constitutional governance and the rule of law. We join with the United States Government and the governments of the African Union in calling for the restoration of democracy in Madagascar and applaud the US Government's diplomatic efforts to push for free and fair elections. It is only by creating a stable political environment, can there be security for investors and long term confidence in the economic development of the country.

We can not judge, nor comment, on whether the removal of this trade benefit will provide the necessary impetus to drive forward the needed political changes. For the moment these appear to have stalled. What we can foresee, however, is the adverse impact on the livelihoods of many thousands of garment workers, their families and the wider community. Large scale retrenchment and a disaffected urban population could severely disrupt and potentially lead to the closure of local manufacturing operations in Madagascar. It could also lead to a significant cut-back in the importation of fabric and other materials sourced from Mauritius, Lesotho and Swaziland, impacting those industries as well.

In June 2009 the World Bank identified the garment industry as one sector of the Madagascan economy “vulnerable to the decline in demand on international markets and to the domestic political uncertainty”.¹ The World Bank went on to report on factory closures triggered by the global slowdown, and the growing reluctance of many international firms operating in Madagascar to take new orders because of the uncertainty surrounding AGOA. The World Bank noted that “while the weight of the textile industry is [relatively] low in the Madagascar economy, it accounts for 42 percent of exports and for an estimated 100,000 jobs, highly visible in the urban centers of Antananarivo and Antsirabe.”²

Madagascar is a deeply impoverished country - ranked a lowly 143 out of 177 countries in the UNDP’s 2007/2008 Human Development Report.³ It is also a country facing severe recession. The tourism sector, for instance, is “in disarray, with the cancellation of tours, leading to a rise in layoff estimated at 80% of the workforce.”⁴ Given the marked decline in tourism, the suspension of AGOA duty-free status at this time has the potential to significantly impact one of the few remaining sources of formal employment in Madagascar. We would therefore respectfully ask the Sub-Committee, in formulating its recommendations to the President, to consider closely the implications of such a decision on the textile and apparel sector and on the wellbeing and livelihood of the workers, their families and the broader community who are dependent on that industry.

We look forward with interest to hearing the outcome of your deliberations and to the President’s final decision on the continued eligibility of Madagascar to trade benefits under AGOA.

We would be happy to furnish additional information, if required, or to meet with members of the sub-committee to answer questions, if this would be helpful.

Sincerely,

General Counsel
adidas Group

¹ World Bank, ‘MADAGASCAR – ECONOMIC UPDATE: A Transition... but Challenges are coming soon’, June 2009.

² Ibid

³ See United Nations Development Program, 2008 Statistical Update for Madagascar, The Human Development Index - going beyond income http://hdrstats.undp.org/en/2008/countries/country_fact_sheets/cty_fs_MDG.html

⁴ World Bank, ‘MADAGASCAR – ECONOMIC AND POLITICAL UPDATE: FROM A POLITICAL CRISIS TO AN ECONOMIC DECLINE?’, April 2009.



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