Various surveys and indices have identified major business constraints in SADC. These include independent assessments of the regional business climate plus studies that specifically reflect the views of the private sector. These assessments have been undertaken over a number of years but there has been little follow up by policy makers or attempts to address the identified constraints. To assist in this regard, the SADC Secretariat in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has initiated a research and dialogue project that aims at identifying the most important business constraints for the SADC region and making them more tangible by conducting firm level case studies on the identified constraints. This is one of the collection of case studies.

SAIIA African Perspectives. Global Insights
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On behalf of Federal Republic of Germany The Federal Government

A CASE STUDY ON LESOTHO TEXTILE EXPORTERS ASSOCIATION

MARCH 2012

FIRM OVERVIEW

Name	Lesotho Textile Exporters Association
Nationality	Lesotho
Sector	Textiles and Clothing
SADC countries where doing business	Lesotho and South Africa

BACKGROUND

The Association represents textile exporters that have established manufacturing operations in Lesotho to take advantage of African Growth and Opportunities Act (AGOA) market access preferences in the US market. Of the produce of the members of the Association, 98% is destined for the US market and only 2% goes to the EU. Their activity in the region relates to their physical presence in Lesotho, employing around 32 000 people and making use of South African infrastructure to export.

BARRIERS ENCOUNTERED

The barriers experienced by the Lesotho textile exporters that produce for the US market under AGOA mainly relate to the landlocked status of Lesotho and the resultant need to transit through South Africa to the ports of Durban, Port Elizabeth and Cape Town. They experience infrastructure difficulties, time delays at borders, bureaucratic burden, visa difficulties and corruption and harassment. Banking in Lesotho is expensive with little competition.

IMPACT OF BARRIERS

The advantage that AGOA producers have above other Asian clothing producers is being eroded and the competition is fierce in the industry at a global level. This means that all additional costs accrued during the export process impact on the competitiveness of the producers in Lesotho and, if not controlled, could result in the eventual closing down of factories. Since the WTO Multi-Fiber Agreement expired there has already been a drastic decline in the Lesotho textile industry. It is a sign that textile production in the rest of Africa is also in decline. Unless cost savings can be made and profit margins increased then the producers in Lesotho might close down completely. This can only be achieved through improved efficiency in exporting.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

The Association is not yet found a way to address the constraints that are faced by its members. The reality is that the companies currently operate as best they can within the given circumstances.

The challenges have not been raised with regional bodies as such engagement is not expected to result in changes to the status quo.

ADDITIONAL COMMENTS AND SUGGESTIONS

1. A SADC business visa should be looked into.