

**Exhibit 1***Strengths, Weakness, Opportunities, and Threats (SWOT) Analysis***STRENGTHS**

- Competitive wages
- Electric and water supplies
- Port access to major markets (Durban and Johannesburg)
- Free Zone legislation
- Tax breaks and a flexible investment incentive system
- Potential to build cotton chain

**WEAKNESSES**

- Poor investment, labor, and business environment regulation
- Inordinate time to establish a formal business
- Uncertain investment climate
- Poor local infrastructure
- Small local market, with most consumers below the poverty line
- No organization for promoting industry and foreign investment (development corporation)
- Poor development of centralized free trade zones
- Low productivity because of malaria and HIV; weak infrastructure (sewage, hygiene, nutrition); lack of training, of amenities such as lighting and air conditioning, of local financing, and of local materials for export-quality products; long lead times for inputs and delivery; and long transport time to major developed markets

**OPPORTUNITIES**

- Tariff-free access to U.S. market for qualified apparel under the African Growth and Opportunity Act (AGOA)
- Ability to use fabrics from any country to qualify for tariff-free treatment under AGOA third-country fabric provision (through September 2007)

- Tariff -free access for qualified apparel and textiles under the EU Everything But Arms Agreement (EBA) and Cotonou Agreement
- Tariff-free access to Africa's wealthiest market, South Africa, for qualified apparel under the Southern Africa Development Community (SADC)
- Increasing demand for raw cotton and yarn and rising prices in major markets likely with the elimination of MFA quotas on January 1, 2005 and the proposed elimination of U.S. cotton subsidies in the WTO Doha Round
- Market trends towards greater quantities of standardized apparel and low costs
- Expiration of AGOA third-country fabric provision (need for local SSA cotton, fabrics, and yarn, also see threats for apparel products)

**THREATS**

- Elimination of MFA quotas and concentration of production among the largest and most efficient global suppliers
- Expiration of AGOA third-country fabric provision in September 2007
- Expiration of Cotonou Agreement in 2007
- Growing list of preferential suppliers
- South African customs (90 day withholding of tariff pending documentation of onward forwarding of freight trucked across the border)
- Recognition of Mozambique declarations of origin
- Low quotas for apparel made from non-SADC fabrics
- Evolution of retailers concentrating orders directly with suppliers