

**THE AFRICAN GROWTH AND OPPORTUNITY ACT:
ENSURING SUCCESS**

JOINT HEARING
BEFORE THE
SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION, AND TRADE
AND THE
SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH,
AND HUMAN RIGHTS
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
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THE AFRICAN GROWTH AND OPPORTUNITY ACT: ENSURING SUCCESS

WEDNESDAY, JUNE 20, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION, AND TRADE AND
SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH,
AND HUMAN RIGHTS,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittees met, pursuant to notice, at 2:35 p.m., in room 2172, Rayburn House Office Building, Hon. Edward R. Royce (chairman of the Subcommittee on Terrorism, Nonproliferation, and Trade) presiding.

Mr. ROYCE. This joint hearing of the Subcommittee on Terrorism, Nonproliferation, and Trade, as well as Africa, Global Health, and Human Rights will come to order. I want to thank Chairman Smith, Ranking Member Bass, and the staff of the Africa Subcommittee, as well as the Terrorism, Nonproliferation, and Trade Subcommittee for their good work on this hearing.

And of course, Karen Bass really urged that we hold this hearing today. I think it is a timely hearing, given the intent, I think, in the Senate to move forward with this legislation in ensuing weeks.

Today we are examining the African Growth and Opportunity Act. It was signed into law in 2000. This landmark legislation ended years of U.S. Government indifference to Africa's considerable commercial potential, and I am proud to have been part of the AGOA coalition with Jim McDermott and Charlie Rangel and some of our other colleagues on this. We were bipartisan. We did work very hard at it, and I think we beat the odds to get the job done.

AGOA has brought major benefits to a number of African countries. Hundreds of thousands of Africans, many of them women, have been employed because of this Act. I have had the opportunity to visit apparel factories in many different countries in Africa. I have seen AGOA's contribution to fighting poverty in these countries. Unfortunately Africa's emergent apparel industry is imperiled by the impending expiration of a key AGOA provision dealing with the ability to use non-African manufactured fabric. If we do not extend this provision, hundreds of thousands of African apparel jobs will be shifted to Asia. Many already have because of this uncertainty. Africans are losing jobs, and we are losing the diplomatic goodwill won with AGOA.

Ideally, more countries and more African industries would have taken advantage of AGOA by now, but we shouldn't lose sight of

the fact that the number of countries exporting non-energy products has increased from 13 to 22 on the subcontinent in the last decade. And when AGOA was passed, Africa was arguably irrelevant to the global economy.

Africa still has a long road ahead, but a great deal of progress has been made because of many of the provisions in AGOA. But one particular provision, if we don't extend it, is going to be very injurious. One way to accelerate that progress and help our deficit, of course, if I can go off on a tangent for a minute, is eliminating our agricultural subsidies, which I wish we would phase out for the benefit of fairness, the benefit of sound economic policy, and certainly for the benefit of Africa.

This committee wrote AGOA's eligibility criteria. The U.S. extends duty and quota-free access with AGOA countries and expects certain minimum commitments in return. One witness will tell us that these standards which go to the basis of setting up independent judiciary, and the rule of law, these standards compelled most African countries to "embrace the rule of law, allow for political pluralism, respect democracy, and basic human rights." And that is not bad.

We didn't pass AGOA for Africans only. The U.S. is better off if Africa is moving away from mass poverty. AGOA can be better utilized, which we will hear about, but we are sure better off with it in place. When AGOA was written, the U.S. Government was completely ignoring African commerce. AGOA has changed that, though I was struck by reading the other day that no Commerce Secretary has visited sub-Saharan Africa since 2002. Nothing in 10 years. And that is not the spirit of AGOA. And that is something we seek to rectify here.

Before turning to Ranking Member Sherman for an opening statement, I will inform members that we are also joined by a few non-committee members who were critical to AGOA, especially Representative Jim McDermott, who got the original ball rolling and had the concept for the first AGOA legislation.

I will turn now to our ranking member.

[The prepared statement of Mr. Royce follows:]

**Statement of Representative Ed Royce
Terrorism, Nonproliferation, and Trade & Africa, Global Health, and Human
Rights Joint Hearing
June 20, 2012
"African Growth and Opportunity Act: Ensuring Success"**

Today we examine the African Growth and Opportunity Act. Signed into law in 2000, this landmark legislation ended years of our U.S. government indifference to Africa's considerable commercial potential. I am proud to have been part of the AGOA coalition. We were bipartisan, worked hard, and beat the odds to get the job done.

AGOA has brought major benefits to some African countries. Hundreds of thousands of Africans, many women, have been employed because of it. I have visited apparel factories, and seen AGOA's contribution to fighting poverty.

Unfortunately, Africa's emergent apparel industry is imperiled by the impending expiration of a key AGOA provision, dealing with the ability to use non-African manufactured fabric. If we don't extend this provision, hundreds of thousands of African apparel jobs will be shifted to Asia. Many already have because of this uncertainty. Africans are losing jobs, and we're losing the diplomatic good will won with AGOA.

Ideally, more countries, and more African industries, would have taken advantage of AGOA by now. But we shouldn't lose sight of the fact that the number of countries exporting non-energy products has increased from 13 to 22 in the last decade. When AGOA was passed, Africa was just about irrelevant to the global economy. Africa has a long road ahead, but progress has been made. One way to accelerate that progress, and help our deficit, is by eliminating our agricultural subsidies.

This Committee wrote AGOA's eligibility criteria. The U.S. extends duty and quota-free access with AGOA countries, and expects certain minimum commitments in return. One witness will tell us these standards "compelled most African countries to embrace the rule of law, allow for political pluralism, and respect democracy and basic human rights." That's not bad.

We didn't pass AGOA for Africans only. The U.S. is better off if Africa is moving away from mass poverty. AGOA can be better utilized, which we'll hear about, but we're sure better off with it in place.

When AGOA was written, the U.S. government was completely ignoring African commerce. AGOA has changed that, though I was struck by reading the other day that no Commerce Secretary has visited sub-Saharan Africa since 2002. Nothing in *ten* years? That's not the spirit of AGOA.

Mr. SHERMAN. Not wishing to cause a heart attack or other problem with my chairman, I will give you fair warning. I am going to skip my opening statement here, and yield to my good friend, Karen Bass. I am anxious to hear the witnesses, and this one time I didn't use the 7- or 8- or 10-minute opening statement. I yield back.

Mr. ROYCE. I thank our ranking member, Mr. Sherman, and we will now go to Ranking Member Bass.

Ms. BASS. First of all, thank you very much, Chairman Royce, Chairman Smith, and Ranking Member Sherman. And this will be an unusual occasion, because I am actually going to yield my comments in just 1 minute. But I want to thank all of you; in particular, the cooperation with Member Sherman's staff, and also Member Royce's staff for the opportunity to hold this joint hearing on AGOA. And with that in mind, I would like to defer my opening comments to one of the original authors and leaders on AGOA, Congress Member Jim McDermott.

Mr. McDERMOTT. Thank you, Ranking Member Bass, and thank you Chairman Royce, and Chairman Smith, and Ranking Member Sherman. I, being allowed to say a few words with them giving up their time, is a unique experience on the House of Representatives. Watch it. You are watching history being made.

I would especially thank Congresswoman Bass who pushed for this hearing, because the timing couldn't be better. A central part of AGOA, the so-called third-party fabric provision, expires in less than 3 months. And some of you may have heard that they may be making progress over in the Senate. We have heard the drums, and the chairman tells me that he went over and talked to the drummer, and it sounds like something is actually going to happen over there. So we are very excited about that welcome news.

There is no reason we should be in this position, actually. I have been talking to my chairman about this over on our committee. We offered this legislation a year ago. In December the Senate was on board when they identified the same language in their bill—Senator Baucus and Senator Hatch—but it has been sitting there since.

Now, there are two important points here. One, the extension is good for business. It is good for the American economy. It is good for Africa. It is good for foreign policy. It is good security policy, and it has been hung up for a year, and with really no substantive reason. The delay has always been about process and politics; no trust between the House and Senate. And on tax bills, and if we send a tax bill, will we get one back, or what will happen?

When we passed AGOA, it was a partnership between many members, as Ed said, one or more of the most amazing partnerships between myself, and then-Speaker Gingrich. We all worked together to compromise and get a good thing done.

Now, whether you are new to Congress or been here a while, the current era, where commonsense things don't get done because of lack of trust, or for someone looking for an issue to turn into a bargaining chip or something, well, it has poisoned the well. It has poisoned the international well and it hurts our own public. In this case, nothing has been gained, but jobs have been lost.

When we had the hearing late—this late in the game, it tells us good and bad things. One, it is sad it had to happen now, but good that members have found the good sense to push it forward. And I hope that this hearing gives the Senate the encouragement to do what is needed. That is one point.

But the second point is that a delay in trade legislation hurts everyone: Workers, businesses, American security, foreign governments we need to work with. We cannot keep letting our trade arrangements and provisions expire. Orders—I am a doctor, all right? I am not a retailer. But I learned from retailers very early on that when you are doing things like clothing buying, you are doing it at least 9 months in advance, and planning for a building is done 3 years in advance.

When we didn't get AGOA 3rd country fabric renewed within 9 months of expiration, orders from African factories have actually started to drop. We are now 3 months away, and orders have dropped by 35 percent. Orders equal jobs. If somebody in New York, Jones of New York or somebody, wants to buy something, they have to know the price that they are going to get it from in Africa in order to make a bid. And this means we have lost jobs in Kenya, and Lesotho, and a number of other countries, mostly women who are usually the primary bread winners in their families. So there is a huge multiplier effect to these job losses.

It isn't just about money. It is also about the economic development of these countries and the infrastructure. As women have jobs, they teach their kids; they get education; they teach their children. That helps the next generation.

The whole AGOA program expires in 3 years. And I hope, Ed, that we can put that in on the first day of the next session and get it passed right then. AGOA was meant to grow industries, but from the perspective of investors, AGOA is expiring right now. Every day from now on that renewal is not done, businesses lose, jobs lose, both in Africa and in the United States.

Twelve years ago we got the ball rolling. We had nothing up until then. And AGOA and other initiatives got us in the game in Africa. There were 800 million people and the United States had no policy toward trade in Africa. And we started building commerce, building the 21st century relationships, but the Chinese and the Europeans have charged ahead of us recently and they are much more agile and nimble than we are.

Today we are going to hear about AGOA and textiles from the panelists, and legislatively we finally are about to take action. I hope that we can use today to reset the clock a little, to help us get to work on a new job, job creating, mutually beneficial AGOA agreement done in 2013, and not the last minute in 2015.

I want to thank the Foreign Affairs Committee for their energy and for their leadership on this issue, and I am deeply appreciative of your allowing me to come and talk here.

I am going to leave because the Ways and Means Committee is right now dealing with should we extend NPTR to the Soviet Union, to Russia. And so we are trying to decide if we will improve our relationships with the Russians. So I am going to take your leave, but thank you.

Mr. ROYCE. Thank you, Mr. McDermott.

Now we will go to Chairman Smith of the Africa, Global Health, and Human Rights Subcommittee.

Mr. SMITH. I thank my good friend for yielding and thank you for calling this extremely important hearing. I think all of us would agree to that and I would ask unanimous consent that my opening statement be made a part of the record.

I think Mr. McDermott really summed up all of our sentiments here on the panel, which I am sure will be echoed by our distinguished witnesses. This has to be done immediately. Delay is denial, especially for those who lost orders that are occurring every single day. We have heard it from the African ambassadors, and heard it from the businessmen and women. A drop-dead date is just that. Not so here, as my good friend and colleague from Washington State so clearly stated. So I do hope that we can get this done immediately.

I will, Mr. Chairman, just note for the record, that I just got back from Bolivia. I was visiting a prison there on behalf of a man who has been unjustly imprisoned. I picked up a little bit of a fever, so I am going to take my leave, because I am feeling awful, but I thank you again for calling this hearing.

Mr. ROYCE. I thank you very much, Chairman Smith, and thank you also for your leadership on not only this issue but human rights issues around the globe, including in Bolivia. We wish you a speedy recovery.

[The prepared statement of Mr. Smith follows:]

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The African Growth and Opportunity Act: Ensuring Success

Subcommittee on Africa, Global Health, and Human Rights
Opening Statement by Chairman Chris Smith
June 20, 2012

I want to thank Chairman Royce and Ranking Member Sherman for agreeing to join our Subcommittee in holding today's hearing. Chairman Royce has had a long history of promoting U.S.-Africa trade, including his success as floor leader of the original African Growth and Opportunity Act.

When you examine the statistics of AGOA, it is clear that this trade process has been a success in increasing the economic engagement between the United States and nations in Africa. Even though the extractive industries comprise more than 90% of the trade under AGOA, there have been advances in manufacturing of textiles and apparel, steel and even auto parts. The question is not how to make AGOA a success; it is how to make AGOA a broader success.

For example, about two-thirds of Africans are involved in the agriculture sector, but agricultural products are not nearly as prevalent among African exports to the United States as they could be. Our government has not done a good job of explaining to the right people in Africa our sanitary/phyto-sanitary rules, which were established to protect American consumers from unsafe food products. We need to explain these needed regulations to those who produce agricultural products and not just to government officials. Expanding the benefits of AGOA to African agricultural producers will affect more African lives than almost anything else we can do in the trade arena.

Addressing other issues, such as capacity building for African exporters on how to more effectively deal with U.S. security laws, lack of transportation options for African exports to the United States and encouragement for U.S. companies to increase their exports to Africa would all help make AGOA more broadly successful.

Co-Chairmen of: Task Force on Alzheimer's Disease • Bi-Partisan Coalition for Combating Anti-Semitism • Lyme Disease Caucus
Coalition for Autism Research and Education • Global Internet Freedom Caucus • Bi-Partisan Congressional Pro-Life Caucus
Splein Bifida Caucus • Vietnam Caucus • Poland Caucus • Bosnia Caucus
Ad Hoc Congressional Committee for Irish Affairs • Congressional Caucus on Human Trafficking

On that latter point, Congressman Bobby Rush and I and Senators Dick Durbin and John Boozman have introduced the Increasing American Jobs through Greater Exports to Africa Act (HR 4221 and S. 2215) to provide more balance in U.S.-Africa commercial relations. Over the last decade, so many efforts have had to be made to enable African producers to export to the United States that we have not devoted enough attention to stimulating U.S. exports to and investment in Africa.

We especially have not seen sufficient facilitation of trade with African countries by the African Diaspora in this country. Our bill addresses the current export-import imbalance without endangering African markets. We believe that American products, such as those in the agriculture sector, would make African more productive and their efforts more profitable.

AGOA has changed the dynamic of U.S.-African relations, and we must ensure that moving forward, we make the promise of AGOA a reality for more people in Africa and in the United States.

Mr. ROYCE. There are several ambassadors that I see in the audience that we want to recognize from sub-Saharan Africa. Ambassador Andjaba from Namibia is with us, if I can ask him to stand. We appreciate that. From Mauritius, Ambassador Soborun. Thank you very much, Ambassador. And from South Africa, Miss Cheryllyn Dudley is here from the South African Parliament.

If I could ask you—thank you any other ambassadors—I will just ask you to stand if I missed anyone. Thank you. I will also mention that the administration has a role to play in working with the Senate to help build trust. And as mentioned, I was over on the Senate side talking to Senators this afternoon about AGOA. We are all making phone calls, and Representative Bass has talked to a number of Senators as well. We would like the administration to pick up the phone and be engaged as well as we move forward with this legislation.

I have a couple of witnesses to introduce at this time. And let me begin by—Mr. Deutch, would you like to make an opening statement?

Mr. DEUTCH. Thank you, Mr. Chairman, and I have an opening statement, if—that I could submit into the record, Mr. Chairman, and I would like to move on to our panel.

Mr. ROYCE. Very good. Thank you, Mr. Deutch.

Let me start with Tony Carroll. He is an international lawyer, and development expert who has been working on African issues since his service as a Peace Corps volunteer 35 years ago in Botswana. He was among the first to advocate for passage of AGOA before the Africa Subcommittee, and he serves as the vice president of Manchester Trade and is an adjunct professor at Johns Hopkins University School of Advanced International Studies.

Paul Ryberg is the president of the African Coalition for Trade, a member-supported nonprofit whose members come from the African private sector. ACT, as it is called, has been a leader on behalf of the African private sector in conjunction with the development, implementation, and amendment of AGOA. He has worked closely with several African governments as they have worked to become AGOA eligible.

Jas Bedi is the chairman of the African Cotton and Textile Industries Federation. This regional trade body was formed in June 2005 by the cotton, textile, and apparel sectors from across sub-Saharan Africa, to create a unified and recognized voice in both regional and global trade affairs.

And Stephen Hayes, President and CEO of the Corporate Council on Africa for 12 years. The Council is an organization of 200 U.S. companies that represent 85 percent of U.S. private investment in Africa. Recognizing his work at the Council, the Department of Commerce presented him with the Ron Brown Award for International Leadership in 2008.

All of the witnesses' complete written testimony is going to be entered into the record, so I will remind each witness to keep their oral presentation to 5 minutes.

And we will start with Mr. Tony Carroll.

**STATEMENT OF MR. ANTHONY CARROLL, VICE PRESIDENT,
MANCHESTER TRADE, LTD.**

Mr. CARROLL. Mr. Chairman, thank you for affording me this honor to testify once again on U.S.-Africa economic relations. With your permission, I have submitted a more detailed written statement for the record. You and your colleague—late colleague—Don Payne provided bipartisan leadership essential to the passage of AGOA and its subsequent amendments. AGOA, PEPFAR and MCC have created unprecedented and diplomatic traction and popular goodwill for the U.S. and Africa.

Thirty-six years ago I stepped off a DC-3 onto a dusty airfield in Gaborone, Botswana as a newly minted Peace Corps volunteer. In the subsequent years I saw Africa endure a generation of conflict, economic marginalization, and brain drain. However, Africa is now on the move, enjoying unprecedented economic growth and political stability.

A contributing factor to this transformation has been AGOA. First, the legislation has had the intended consequence of rebooting economic development to a demand-driven formula. The reboot has produced a winning relationship, as witnessed by the fivefold increase in U.S. imports from Africa, and threefold increase in U.S. exports into the continent. However, the full measure of AGOA's success may be in its fostering trade facilitation measures, foreign direct investment, enterprise development, and business deregulation.

Africa's new competitiveness and AGOA's impact can be also measured by the continent's booming trade with Asia and the Middle East, and the fact that both foreign direct investment and money remittances now exceed development assistance flows.

This export-led growth and FDI has created a burgeoning middle class. According to many estimates, Africa will see 120 million people rise from poverty to the middle class by the end of the decade. This new middle class will be a market for U.S. goods and services. History has shown that countries with growing economies tend to prefer trade to war in its economic relationships with neighboring states, and Africa is no exception. In a recent study cited in Foreign Affairs Magazine, Professor Stephen Straus, University of Wisconsin, has documented a 50 percent decrease in African conflict over the past decade. Moreover, hope is our best defense against terrorism rooted in economic and social despair.

Today I join my friends and colleagues, Jas Bedi and Paul Ryberg, calling for the renewal of AGOA's third-country fabric provisions. Although I have worked extensively in Africa's textile industry I will leave it to them expound upon the deleterious impact on the African apparel industry that nonrenewal will cause. There is a very real chance that non-extension will not only cause loss of jobs and closure of factories, but also may impede Africa's ability to expand its manufacturing base beyond apparel and textiles as the infrastructure investments and skill development in this industry enure to the benefit of others.

I would like to underscore that failure to extend third-country fabric will be a disaster for U.S. interests in Africa and deflate what has been a resurgence in our commercial and diplomatic engagement with the continent.

I have also been asked to offer some observations on AGOA, how it can be improved to prevent this type of brinkmanship, and have detailed those in my submitted statement.

As we know, the next Congress will have to extend the life of AGOA beyond 2015. It is my position that AGOA should be extended in its essentially unilateral preference format for another decade. This unilateral extension will permit the continuation of regional integration initiatives now fully underway in Africa's 48 sub-Saharan African countries and led by its regional economic communities and the African Union. Regional integration will foster infrastructure investment, expand the flow of cross-border inputs and expand market size to the U.S.—benefit of U.S. exporters. I applaud the administration's recent policy statement endorsing such extension and ask this body and the administration to pressure the European Union to shelve its efforts to foist Economic Partnership Agreements upon Africa's more developed economies, thereby retarding these promising experts at economic integration.

Additionally, China's extension of market preferences to Africa has also the unintended consequence of driving a wedge between more and lesser developed African economies. Apart from the issue of unilateral extension, I would like to add two final recommendations on how AGOA can be improved. An enhanced AGOA can contribute to a diversification of agricultural exports to the U.S. For example, either through a legislative mandate or administrative decisions, AGOA exports could be exempt from tariff rate quotas which are denying access to the U.S. for a number of agricultural products, which Africa has a competitive advantage.

This exemption could be designed in a way that it does not have a significant impact on domestic production. Instead, it would shift imports from more developed suppliers to poorer African countries.

Last, as I have testified before this panel during AGOA's initial debates, I remain steadfastly opposed to the manner in which AGOA country eligibility is enforced. While there certainly should be punitive measures for mostly male leaders who foment war with neighbors, facilitate coups d'état or restrict economic rights or individual freedoms, closing factories and casting thousands, mostly women, into unemployment is not the way to go. Unless the beneficial ownership of such factories is tied to such culprits, I believe that sanctions targeting country leaders are more effective tools to mete out punishment rather than punishing innocent businesses and their employees. Thank you.

Mr. ROYCE. Thank you, Mr. Carroll.

[The prepared statement of Mr. Carroll follows:]

**Before the United States House of Representatives
Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation, and Trade
Subcommittee on Africa, Global Health, and Human Rights**

**Joint Hearing on African Growth and Opportunity Act:
Ensuring Success,
June 20th, 2012**

**Statement by Anthony Carroll
*Vice President, Manchester Trade***

Thank you Mr. Chairman for inviting me before this Committee once again to advocate for enhanced economic relations between Africa and the United States. You and your sorely missed late colleague, Donald Payne, provided bipartisan leadership in the passage of AGOA twelve years ago and of subsequent amendments to this ground breaking legislation.

I endorse the prompt renewal of AGOA third country fabric. I join a diverse array of organizations including COMESA, the Constituency for Africa, the US Chamber of Commerce, the African Coalition for Trade, CCA and the AGOA Embassy Group for Economic Development.

I recognize the bipartisan effort of Democrats and Republicans on this committee to jumpstart this process. We know that final action is determined by the House Ways and Means and Senate Finance Committee. However, I would like to compliment the House Foreign Affairs Committee for holding these hearings as they could provide a positive impetus to this effort. This support is warranted since there is not only a trade policy justification for the renewal of the program, but US foreign and economic policy also requires it. AGOA is indeed a trade and development initiative.

As my good friends and fellow witnesses Paul Ryberg and Jas Bedi are expounding, textile employment has fallen more than thirty percent in the African apparel industry, and with the holiday selling season fast approaching, the whole industry can be fatally impacted and thousands of jobs lost. Thus, I suggest the faster that this legislation can pass—if possible before the July 4th recess, the better it would be for the region.

I have been asked to opine as to how to prevent this problem from arising again. We agree that the success of AGOA is too important to US and African interests to be allowed to be determined simply by apparel exports. In this regard, we note significant progress in the agricultural areas. However, to be truly transformative, AGOA must also promote the full participation of Africa in global value-added supply chains and distribution networks.

With its burgeoning urban population, the current global and African efforts to increase productivity in agriculture must be duplicated with similar efforts in manufacturing. This is not to state that an enhanced AGOA cannot contribute to a diversification of African agricultural exports to the US. For example, either through a legislative mandate or Administration decisions, AGOA exports could be exempt from tariff rate quotas which are denying a number of agricultural products in which Africa has a competitive advantage access into the US market. This exemption could be designed in a way that it would not have a significant impact on domestic production. Instead, it would shift imports from more developed suppliers to poorer African countries.

The apparel industry shows that, with adequate support, Africa can gain a foothold in manufacturing trade and be part of a fairly sophisticated supply chain. As with the Far East, African economic development will deepen, fostering the emergence of a middle class and become a burgeoning market for US goods and services.

An important tool in the diversification away from this over-reliance on apparel, especially in non-petroleum exports under AGOA, is through a policy aggressively promoting regional integration. It is only through regional integration that the many small, landlocked, or island countries can attain the economies of scale required to participate in these supply chains and distribution networks.

The regional economic communities (RECs) provide the framework for developing the integrated infrastructure required for the development of regional road transportation networks, interconnected power structures; and state-of-the-art communication systems able to carry voice, data based, and visual communications. Elimination of customs formalities at the numerous border crossings among the 48 countries composing Sub-Saharan Africa, as well as harmonization of industrial standards and allowing the free movement of factors of production are all addressed through economic integration. This is what is required to gain the economies of scale required for cost-competitive production and low cost distribution.

It is important for the committee's mandate that economic integration contributes to political stability and strong democratic institutions. This satisfies the basic requirements of the US for strong partners in the fight against terrorism. Intertwined economies and open borders are the best way to assure that peer-pressure and regional peacekeeping can prevent aberrant behavior from acceptable norms. This is what has contributed to the restoration of democracy throughout West Africa, most notably in the Ivory Coast, Sierra Leone, Liberia, and Senegal.

The good news is that, largely on its own, Africa has been developing the architecture of a continental FTA and customs union. In fact, the so-called building bloc approach could be on the way to success if not undermined by premature expectations of reciprocity by third countries.

- One of the two major building blocs will be the Economic Community of Western African States (ECOWAS), which has completed the basic work to form an FTA/Customs union, and all that is needed is the political decision, mainly by Nigeria to move ahead. This group can eventually expand to include French speaking countries in Central Africa, which currently belong to their own more slowly integrating union.
- In Eastern and Southern Africa, the Tripartite Group is well on the way to combining the existing three customs unions in the region (COMESA, EAC and SADC) into a single FTA by 2014 and eventually into a customs union. The African Union is leading efforts to unify these groupings into a single continental FTA by 2017, and a customs union by 2019.

A disruptive element to these efforts is third country efforts to force premature reciprocity on individual countries and smaller regional economic communities before Africa can negotiate as a group. Ironically, the EU which is the model for regional integration is applying pressure to sink economic integration in the SSA region. In order to gain mercantilistic advantages over third country suppliers in the African market, including those from the US, it is trying to force key African countries to apply zero duties on 80 percent of EU imports.

The EU however is trying to do so by establishing the end of the 2013 as an arbitrary deadline by which the thirteen non-LDCs in SSA must agree to what are called comprehensive Economic Partnership Agreements (EPAs), which embody such provisions. Non LDC Countries not entering in such agreements will lose most if not all, of their preferential access into the EU. If these countries acceded to this pressure, (there may be no choice, since many of these countries are reliant on duty-free treatment in the EU markets for their traditional exports) the chances of attaining regional integration would be severely compromised if not doomed to failure. If some but not all members of the same REC entered into such agreements, one could not agree on a common external tariff nor allow free movement of goods across borders. This is what will happen since the majority of SSA countries are considered non-LDCs and these countries will continue to have duty-free access into the EU market under a different program currently reserved only for LDCs.

In this regard, we can only compliment the recently released Administration's "Strategy towards Sub Saharan Africa", requesting Congress to extend unilateral preferences to African countries under the AGOA system beyond 2015. This should force the EU to reconsider its decision to pressure SSA countries to enter into almost fully reciprocal agreements well before that date. The EU would find it difficult to explain why it was insisting on concluding negotiations at the same time as the US was seeking to extend unilateral preferences for SSA countries. The fact is that if the US agreed to extend unilateral preferences until early in the next decade and if the EU joined such a decision, one would provide a significant impetus to regional integration rather than undermining it.

Dissuading the EU from implementing its premature deadline to withdraw duty-free treatment would not only promote regional integration beneficial to African countries but would be beneficial to US suppliers. First, US companies are looking forward to borderless trade with the SSA region since this would allow their supply chains and distribution networks to operate within Africa. Secondly, it would avoid US exporters being placed at a competitive disadvantage to EU exporters in the fastest growing market in the world.

The US and like-minded African countries could work through the G-20 and the WTO to convince the EU to delay their deadline and to support an AGOA-type waiver application for all DFQF schemes to allow time for Africa to integrate. They should be supported by G-20 countries whose exporters, similar to those in the US do not want their producers to be at a competitive disadvantage to EU suppliers.

In summary the Administration decision to ask Congress to extend unilateral preferences if successful and if extended until early into the next decade should allow time for Africa to integrate and thus spur African manufactured exports to move beyond apparel—the basic entry point for developing countries into the world market beyond primary and processed products. Success in this area would be more beneficial to US exporters than lower duties in the region if the result is that premature liberalization sinks the creation of an economically integrated region required for US companies to thrive in the region. This would contribute to moving away from reliance on a single sector—apparel assembly for manufactured exports to the region.

I caution however, the major burden for achieving integration goals falls on African countries. If they do not meet their goals in a timely fashion, the USG and third countries cannot be expected to wait before demanding reciprocity from individual countries or individual RECs.

Thank you for allowing me this opportunity to testify before your committee.

Mr. ROYCE. Mr. Ryberg.

**STATEMENT OF MR. PAUL RYBERG, PRESIDENT, AFRICAN
COALITION FOR TRADE**

Mr. RYBERG. Thank you, Chairman Royce, Ranking Members Sherman and Bass, and members of the subcommittees. I want to thank you for holding this hearing today on this important and extremely time-sensitive subject. I am going to focus my remarks on the need to renew the AGOA third-country fabric provision.

I am appearing before the subcommittees today in my capacity as President of the African Coalition for Trade, or ACT, which is a nonprofit association of African private sector groups and individual companies trading with the United States under AGOA. Most of our members are engaged in manufacturing apparel for export to the United States.

Increased apparel trade has been the greatest success story of AGOA. During its first 5 years in effect, apparel exports from Africa almost tripled, and more than 300,000 new direct jobs were created in the apparel sector in Africa.

On top of that, more than twice that many indirect jobs were created to provide support services to this new, vibrant, African apparel industry.

This success was challenged and almost destroyed by the expiration of the multifiber arrangement in 2005 which exposed this infant African apparel industry to unfettered competition from Asian superproducers, many of whom were heavily state-subsidized. During the next 5 years, 2005 to 2010, AGOA apparel exports fell by 56 percent.

The good news is that beginning last year, there was a comeback, and U.S. apparel imports from Africa under AGOA grew by 15 percent in 2011.

Unfortunately, this recovery has been nipped in the bud by Congress' inability to renew the AGOA third-country fabric rule of origin, which accounts for more than 95 percent of the AGOA apparel trade. This key provision of AGOA, as has been noted, is scheduled to expire on September 30 of this year. Although identical bills have been introduced to renew the third-country fabric provision in both the House and the Senate, Congress has so far been unable to move either bill forward, and Africa is now paying the price for Congress' inaction.

During May and June so far this year, apparel exports from Africa were down by 27 percent from the same period last year. And our members in Africa report that new orders received from U.S. buyers are running 35 percent behind where they were at this time last year. And the decline is accelerating with every single day.

As orders are lost, layoffs must follow. Already this year, 3,300 jobs have been lost in Lesotho alone. In Kenya, another 2,000 workers have lost their jobs. And if the third-country fabric provision is not renewed immediately, there is a serious risk of a complete collapse of the Africa apparel industry, costing literally hundreds of thousands of jobs. Ironically, renewal of the AGOA third-country fabric provision is not controversial and enjoys wide bipartisan support in both Chambers of Congress.

In the past, the AGOA third-country fabric provision has been renewed twice, both times by unanimous consent, and well in advance of its expiration. This time, however, renewal of the AGOA third-country fabric provision has become the victim of inter-party and inter-chamber gridlock, despite the fact that renewal has been endorsed by everyone in Congress and by the Obama administration.

At the 2012 AGOA Forum which was held here in Washington last week, no topic was discussed more frequently or with more urgency than the need for immediate renewal of the third-country fabric provision. As one African trade minister put it at the forum last week:

“We came to Washington with great optimism that we would return with good news that the third-country fabric provision has been renewed. But we are returning home with empty hands. What are we to tell our people whose jobs are being lost every day?”

Another African trade minister in the same session said that Congress’ delay in renewing the third-country fabric provision is undermining the credibility of the U.S./Africa partnership. These are very sobering words. Congress can be proud of its accomplishment in creating an apparel industry in Africa, creating more than 300,000 jobs and providing a livelihood for over 1 million people. But sadly, Congress’ inaction today threatens to destroy what has been created over the past 12 years. Thank you.

[The prepared statement of Mr. Ryberg follows:]

Before the United States House of Representatives
Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation, and Trade
Subcommittee on Africa, Global Health, and Human Rights

**Joint Hearing on African Growth and Opportunity Act:
Ensuring Success
June 20, 2012**

**Statement by Paul Ryberg
President, African Coalition for Trade**

Chairman Royce, Chairman Smith, Ranking Members Sherman and Bass, Members of the Subcommittees, I want to thank the Subcommittee on Terrorism, Nonproliferation and Trade and the Subcommittee on Africa, Global Health and Human Rights for holding this hearing on this extremely important and time-sensitive subject: Ensuring the continued success of the African Growth and Opportunity Act (AGOA).

I am appearing before the Subcommittees today in my capacity as President of the African Coalition for Trade (ACT), a non-profit, member-supported trade association of African private sector groups and individual companies trading with the United States under AGOA. Our members come from Kenya, Lesotho, Madagascar, Mauritius, South Africa, Swaziland and Tanzania. Most of our members are engaged in manufacturing apparel for export to the United States under AGOA. In addition, our members also include textile and zipper manufacturers, agricultural product exporters, and export logistics service providers.

ACT is proud to have been involved in the development of AGOA as one of the primary spokespersons for the African private sector, beginning with the very first hearings held in 1995 and continuing through the enactment of AGOA in 2000 and each of the successive rounds of amendments.

Increased apparel trade has been the greatest success of AGOA. During 2000-2004, AGOA's first five years in effect, African apparel exports to the United States more than doubled. More than 300,000 new direct jobs were created in the apparel sector, and more than twice that many indirect jobs supported the vibrant new African apparel industry.

This success was challenged with the expiration of the Multi-Fiber Arrangement (MFA), effective January 1, 2005, which exposed the infant African apparel industry to unfettered competition from Asian apparel super-producers, including China whose heavily-subsidized apparel industry had been in operation for decades. As a result, AGOA apparel exports to the U.S. market slumped during 2005-2010, falling by 56% from the 2004 record of \$1.8 billion to just \$789 million in 2010. But the African apparel

industry began a come-back in 2011. Apparel exports began to grow again, up 15% to \$903 billion by the end of 2011.

Unfortunately, this recovery has been nipped in the bud by Congress' inability to renew the AGOA third-country fabric rule of origin, which allows apparel manufacturers in least developed country (LDC) AGOA beneficiaries to utilize yarn and fabric from any origin, which in turn enhances their competitiveness and attractiveness to U.S. buyers. The third-country fabric provision accounts for more than 95% of AGOA apparel trade, but this key provision is scheduled to expire on September 30, 2012.

African stakeholders, including ACT and the African Cotton and Textile Industries Federation (ACTIF), which is represented here today by my friend Jas Bedi, began a campaign two years ago, working in close cooperation with the African Diplomatic Corps in Washington, to try to convince Congress to renew the third-country fabric provision well in advance of the September 30, 2012 expiration in order to avoid unnecessary harm to the African apparel sector. Although identical bills to renew the third-country fabric provision were introduced in both the House and Senate last year, H.R. 2483 and S. 2007, Congress has so far failed to take up the measure.

Africa is now paying the price for Congress' inaction. Although African apparel exports had begun a modest recovery during 2011, the level of exports began to flag during the second half of 2011. U.S. apparel imports from Africa during July-December 2011 were down 4% from the same period in 2010.

Unfortunately, the decline has continued in 2012. During May-June 11, 2012, which is the most recent period for which import data is available, apparel imports from Africa were down another 27% from the same period in 2011. According to our African apparel manufacturer members, new orders are currently down 30-35% from last year, and the rate of decline is accelerating.

Because apparel orders are typically placed up to nine months in advance of delivery, if Congress had wanted to encourage U.S. apparel importers to continue to source in Africa, the right time for renewing the third-country fabric provision was last year. Now U.S. apparel importers are becoming increasingly nervous over Congress' inaction and are shifting their orders out of Africa. Once this business has been established elsewhere, it will be very difficult to recover it for Africa.

Compounding the tragedy, as orders are lost, layoffs are beginning to follow. Already this year, 3,300 jobs have been lost in Lesotho alone. Another 2,000 workers in Kenya have been laid off. If the third-country fabric provision is not renewed immediately, there is a serious risk of a collapse of the African apparel industry and the loss of literally hundreds of thousands of jobs.

Congress' inability to renew the third-country fabric provision might lead one to conclude that the AGOA third-country fabric provision must be controversial. On the contrary, renewal of the AGOA third-country fabric provision enjoys wide bi-partisan

support in both chambers of Congress. The third-country fabric provision has been renewed twice before in AGOA's history, each time well in advance of its expiration and either unanimously or without any meaningful opposition.

This time, however, renewal of third-country fabric has become the victim of inter-party and inter-chamber gridlock, despite the fact that the bills have been endorsed by the Chairmen and Ranking Members of both the House Ways and Means Committee and the Senate Finance Committee. The Obama Administration has made it a top trade priority. President Obama himself expressed his support for renewal of third-country fabric in a letter read to the 2011 AGOA Forum in Zambia. At the 2012 AGOA Forum, which was held here in Washington last week, no topic was discussed more frequently or with more urgency than the need for immediate renewal of the third-country fabric provision.

As one African Trade Minister put it at the Forum last week, "We came to Washington with great optimism that we would return with good news that the third-country fabric provision had been renewed, but we are returning home with empty hands. What are we to tell our people whose jobs are being lost every day?"

Congress can be proud of its accomplishment in the creation of an apparel industry in Africa, creating hundreds of thousands of jobs and providing the livelihoods of more than a million people, who otherwise would be living in poverty. Sadly, Congress' inaction in renewing the AGOA third-country fabric provision is today destroying what was created over the past 12 years in response to Congress' encouragement in AGOA.

Thank you, and I would be happy to answer any questions the Members of the Subcommittees may have.

Respectfully submitted,



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June 20, 2012

Mr. ROYCE. Mr. Bedi.

STATEMENT OF MR. JASWINDER BEDI, CHAIRMAN, AFRICAN COTTON AND TEXTILE INDUSTRIES FEDERATION

Mr. BEDI. Thank you, Chairman Royce, and in essence of time, all protocols observed. The African Growth and Opportunity Act enacted in the year 2000 was probably the most liberal trade preference program the United States has given any country or region which has indeed had a positive impact to sub-Saharan Africa, creating numerous new jobs, almost 300,000 and positively impacted the livelihood of especially women who became bread winners with a second income in many households.

The eligibility criteria for AGOA compelled most African countries to embrace the rule of law, allow for political pluralism, respect democracy, and basic human rights. AGOA certainly met expectations whereby bilateral trade between the U.S. and sub-Saharan Africa grew, benefiting for the United States and Africa.

The third-country fabric provision benefited AGOA countries, as the continent was unable to offer competitive production in comparison to Asia, in respect to quantity, quality, and price, compromising the competitive advantage from sub-Saharan Africa. This provision allowed sub-Saharan Africa, to compete effectively and help the U.S. consumers with competitive pricing of apparel. The expiring of this provision will devastate the supply chain and destroy the numerous jobs created in the last several years, undermining the entire AGOA trade preference program.

Through ACTIF, where I am chair, the African Cotton and Textile Industries Federation, we have actively advocated the need to have an organized regional supply chain which integrates the continent and creates a competitive industry to domestic and regional representations to individual countries and trading blocs.

In this respect we have signed MOUs with the East African Community, the Common Market of Eastern Southern Africa, COMESA, and the African Union to ensure all members can easily operate across borders and the trade precipitates to global best practices toward economic freedom.

AGOA has created a platform of African private sector to align mindsets and to present sub-Saharan Africa with a unified voice for the common objective in relations to trade. This has further filtered into the various governments in Africa, whereby a common approach and dialogue has become evident.

The diplomatic relations between the U.S. Government and sub-Saharan Africa have been elevated, allowing greater cohesion in respect to multilateral trade negotiations, especially in the WTO.

AGOA has become and annually meet with the U.S. Government and sub-Saharan Africa to discuss what worked, what didn't work, what can we do differently to benefit the people of the U.S. and sub-Saharan Africa? This dialogue allows exchange of ideas in respect to bilateral and multilateral trade negotiation, which in turn helps the people and livelihoods of both continents.

Sub-Saharan Africa suffers major infrastructure challenges, hurting its competitiveness, which is an opportunity for U.S. exporters. AGOA as a framework can help address these challenges to create a win/win partnership within the U.S. and sub-Saharan Africa, espe-

cially in terms of value addition which sub-Saharan Africa desperately needs to employ its large population, which by 2040 will be the largest working-age population in the world, bigger than India and China.

Also the combined GDPs of Africa are anticipated to grow by \$1 trillion by 2020, with consumer spending growing by \$860 billion over the same period. Hence, AGOA can be remodeled to ensure U.S. exporters get a greater slice of this expanding economic pie.

AGOA has, beyond economic terms, created a sense of belonging within sub-Saharan Africa, accelerating the regional integration agenda within various economic blocs with free movement of goods and services, lowering tariff and nontariff barriers for expanded trade within the region.

The total AGOA export to the U.S. is less than 1 percent of the total U.S. imports, totaling about \$1 billion, which in essence is a needle in the haystack, with no impact to the U.S. textile or apparel industry. In fact, both ACTIF and NCTO share common positions in respect to multilateral trade in the cotton textile value chain to help us and sustain a globally competitive cotton textile industry.

The current status quo in respect to the expiring of the third-country fabric provision, expiring on 30 September 2012, has created great uncertainty in the marketplace, whereby we have noticed reduction of orders from the U.S. buyers who will only place business if the factories underwrite the import duties payable in the event the extension of the provision is not obtained immediately.

Considering the short window which we have left with 3 months and expiry to this date, the lead time far exceeds the production cycle. Renewal of AGOA's third-country fabric was declared a top priority between Africa and the United States for 2011. In Zambia it is now a full 1 year, and what was a priority has become a crisis. The inaction of Congress will definitely impact the livelihoods and accelerate job losses in the industry.

Finally, we cannot ignore the fact that job losses due to this inaction may impact the security situation of the region, and if not managed well could lead to a bigger insecurity that could harvest terrorist cells affecting global peace.

Mr. ROYCE. Thank you.

[The prepared statement of Mr. Bedi follows:]

Before the United States House of Representatives
Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation, and Trade
Subcommittee on Africa, Global Health, and Human Rights

**Joint Hearing on African Growth and Opportunity Act:
Ensuring Success
June 20, 2012**

**Statement by Jaswinder (Jas) Bedi
Chairman, African Cotton and Textile Industries Federation (ACTIF)**

I want to thank the Subcommittee on Terrorism, Nonproliferation and Trade and the Subcommittee on Africa, Global Health and Human Rights for holding this hearing on this extremely important and time-sensitive subject.

I am appearing before the Subcommittees today in my capacity as Chairman of the African Cotton and Textile Industries Federation (ACTIF), whose membership comes from national textile associations from 20 countries across the continent involved with the cotton textile value chain. ACTIF is a private sector Business Member Organisation influencing decision makers through 'lobbying and advocacy' to create a competitive enabling environment for production of textile and apparel factories in the full cotton textile value chain in Africa.

The African growth and opportunity act enacted in the year 2000 (AGOA) is probably the most liberal trade preference programs the United States has given to any country or region which has indeed had a great positive impact on Sub Sahara African Countries (SSA) creating numerous new jobs (almost 300,000 jobs) and positively impacting livelihoods of especially women who became bread winners with a second income in many households.

The eligibility criteria of AGOA compelled most African countries to embrace the rule of law, allow for political pluralism, and respect democracy and basic human rights. AGOA certainly met expectations whereby bi-lateral trade between the United States and SSA grew benefiting both the US and Africa.

The 3rd country fabric provision benefitted AGOA accredited countries as the continent was unable to offer competitive production in comparison to Asia in respect to quantity, quality and price compromising the competitive advantage from SSA countries. This provision allowed SSA to compete effectively and help the US consumers with competitive pricing of apparel. The expiry of this provision will devastate the supply chain and destroy the numerous jobs created in the last several years undermining the entire AGOA trade preference program.

Through ACTIF we have actively advocated the need to have an organized regional supply chain which integrates the continent and creates a competitive industry through domestic and regional representations to individual countries and trading blocs. In this respect we have signed a MOU with both COMESA and the AU to ensure our members can easily operate across borders and the trade precipitates to global best practices towards economic freedom.

AGOA has created a platform for African private sector to align mindsets and present SSA with a unified voice with common objectives in relation to trade. This has further filtered into the various governments in Africa whereby common approach and dialogue has become evident. The diplomatic relations between the USG and SSA countries have been elevated allowing greater cohesion in respect to multi-lateral trade negotiations especially in WTO.

AGOA has become an annual meet between USG and SSA to discuss what worked?, what didn't work?, what can we do differently to benefit the people of both US and SSA? This dialogue allows exchange of ideas in respect to bi-lateral and multi-lateral trade negotiations which in turn helps the people and livelihoods in both continents. SSA currently suffers major infrastructure challenges hurting its competitiveness which is an opportunity for US exporters. AGOA as a framework can help address these challenges to create a win-win partnership between the US and SSA especially in terms of value addition which SSA desperately needs to employ its large population which by 2040 will be the largest working age population in Africa bigger than India and China. Also the combined GDPs of Africa are anticipated to grow by \$1trillion by 2020 with consumer spending growing by \$860billion over the same period. Hence AGOA can be re-modeled to ensure US exporters get a greater slice of this expanding economic pie.

AGOA has beyond economic terms created a sense of belonging within SSA accelerating the regional integration agenda within various economic blocs with free movement of goods and services lowering tariff and non-tariff barriers for expanded trade within SSA.

The total AGOA apparel export trade to the US is less than 1% of total US import totalling under \$1.0billion and in essence 'a needle in the haystack' with NO impact to the US textile and apparel industry. Infact, both ACTIF and NCTO share various common positions in respect to multi-lateral trade in the cotton textile value chain to help and sustain a globally competitive cotton textile apparel industry.

The current status quo in respect to the expiry of the 3rd country fabric provision on 30th September 2012 has created a great uncertainty in the market place whereby we have noticed reduction of orders from the US buyers who will only place business if the factories underwrite the import duties payable in event the extension of this provision is NOT attained immediately considering we have 3months to expiry and the lead time of production exceeds this window.

Renewal of the AGOA third-country fabric rule of origin was declared to be the top trade priority between Africa and the United States at the 2011 AGOA Forum. It is

now a full year later, and what was then a priority has now become a crisis. This inaction by congress will definitely impact livelihoods and accelerate the job losses in the apparel industry placing questions in the minds of Africans whether the AGOA legislation enacted in the year 2000 was a curse or a blessing?

I thank you, and happy to answer any questions the Members of the Subcommittees may have?

Mr. ROYCE. We will go to Mr. Hayes.

STATEMENT OF MR. STEPHEN HAYES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE CORPORATE COUNCIL ON AFRICA (CCA)

Mr. HAYES. Thank you, Mr. Chairman, Congressman Sherman, Congresswoman Bass.

Mr. ROYCE. Microphone.

Mr. HAYES. Thank you. There we go. Sorry.

Thank you Mr. Chairman, Congressman Sherman, Congresswoman Bass, and Congressman Deutch.

I will speak from a different point, a slightly different point of view. I am in total agreement with what I think is the accuracy and the passion of Congressman Royce's opening statement. It is also very good to see that the passion is still there after 12 years of AGOA.

The Corporate Council on Africa is very much in favor of extending the third-party fabric agreement. Certainly, there are jobs at stake and that is very important, but I also think we have to address the issue of symbolism.

It is highly symbolic that we get this done now. It is important to our relationships, political relationships and political credibility with Africa. And I think for those reasons alone, we need to move now.

Our commitment to AGOA as an organization, I think, is beyond question. We also—I also agree with Congressman McDermott who said that the AGOA legislation also needs to be extended sooner, in the next session as opposed to waiting until 2015. My reasons for saying that is that I think that AGOA by itself is not enough for our relationships on U.S.-Africa economic trade and our political relationships. I think it has been the cornerstone of our policy. I think it is an important cornerstone, but if we are going to be effective in Africa economically and if we are going to be effective—more effective politically, then we need a broader economic engagement.

We need to look within that package to the access to financing for Africans. They are not going to be able to use AGOA if financing is not accessible, and more—I am sorry, just as important, we need access to financing for American companies to invest in AGOA.

We also need to look at the issues of capacity building to make AGOA more effective, but also to make U.S.-Africa trade more effective. And certainly we need to look at infrastructure development power, IT, all of those issues. And the sooner we pass the extension of AGOA, the more I think we can address the broader economic policy that is needed toward Africa.

In that, I would also agree that it is not simply Congress, that the administration needs to step up as a partner in that, and we need far greater public-private cooperation to make this work. I think our highest national security interest in the long term rests very much in Africa as much as, if not more, than other parts of the world as well. So we need a broader policy. AGOA is that cornerstone. We need to establish AGOA long term to reassure our

long-term commitment, and then we need to move on from there.
Thank you.

Mr. ROYCE. Thank you, Mr. Hayes.

[The prepared statement of Mr. Hayes follows:]

Written Testimony
By Stephen Hayes
To the Subcommittee on Terrorism, Nonproliferation, and Trade
and the Subcommittee on Africa, Global Health, and Human Rights
June 20, 2012

Thank you for inviting me to speak to the joint Subcommittees on Terrorism, Nonproliferation, and Trade and Africa, Global Health and Human Rights regarding the state of the African Growth and Opportunity Act (AGOA), the principal trade legislation existing between the United States and Africa. As President and CEO of The Corporate Council on Africa (CCA), I represent the collective voice of the American private sector vanguard doing business in Africa. I come bearing the message that CCA and our members unequivocally support the renewal of the Third Country Fabric provision and seek to improve upon the mixed results of the first round of AGOA through a strengthening of the 2015 renewal legislation.

The Corporate Council on Africa is a nonprofit, membership-based organization established in 1993 to promote business and investment between the United States and the nations of Africa. CCA is the premier American organization devoted to U.S.-Africa business relations and includes as members more than 180 companies, which represent nearly 85 percent of total U.S. private sector investments in Africa. CCA's members range from America's smallest to largest corporations. They represent a diverse pool of industries from more than 20 key sectors, including agribusiness, energy, infrastructure, security, power, healthcare, telecommunications and finance.

CCA is a leading source of the most up-to-date information on business across Africa. We work closely with governments, multilateral groups and businesses to improve the continent's trade and investment climate, and to raise Africa's profile in the U.S. business community. CCA regularly convenes sector- and country-specific working groups, forums and

Testimony by Stephen Hayes, President and CEO of The Corporate Council on Africa

conferences, including the biennial U.S. -Africa Business Summit that usually attracts more than 2,000 U.S. and African government and private sector leaders. Just today, CCA completed its U.S.-Africa Infrastructure Conference, which attracted more than 500 participants from Africa and the United States to discuss opportunities in African infrastructure development. CCA has also developed through the support of the U.S. Agency for International Development a U.S.-Africa Business Center whose primary purpose is to identify business partners in Africa for U.S. companies, especially small and medium-sized businesses exploring new markets and seeking to scale up their operations.

Turning to AGOA, CCA has been a staunch supporter since the trade legislation's inception in 2000. In fact, a number of the architects of the original legislation are CCA members and we have worked as an organization to promote the use of AGOA preferential trade provisions as a means of boosting commercial ties between the U.S. and Africa. We have supported the annual forums, both in the United States and Africa, including, most recently, organizing the private sector session at the 2011 AGOA Forum in Lusaka, Zambia. Also, our infrastructure event addressed critical blockages that hinder African regional and international trade and inhibit AGOA's success.

From this perspective as an AGOA ally, CCA has seen mixed results as African exports to the United States have increased significantly since 2000, but only to the benefit of select African countries and sectors. Despite surging African economies and increasingly positive developments in the business climate on the continent, AGOA today has yet to truly realize its potential and become a driver of economic growth and an enabler of trade between Africa and the U.S. This is a secret to no one.

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African countries still face significant barriers to trade, ranging from poor quality control to inadequate infrastructure. Unless a concerted effort is made to address such issues, liberalized market access will mean little. Agriculture is the continent's largest job engine, employing three fourths of the work force, but agricultural exports under AGOA have been minimal. U.S. agricultural imports have grown by just 38 percent under AGOA, although virtually all products in the sector enter duty free. More investment and value-added services in Africa's agricultural sector and a broader array of AGOA-eligible agricultural products are needed if the developmental benefits of AGOA are to be realized. Additionally, African countries need to trade more with their neighbors before they can trade effectively with the world. Regional integration can advance that effort. However, the legal, institutional, technical and educational foundations of regional groupings generally are weak and need to be addressed in the next generation of AGOA to meet the challenges inherent in deeper integration.

One area in which AGOA has been particularly successful is the textile sector, which comprises the majority of non-oil AGOA trade between the U.S. and Africa. The Third Country Fabric provision is a key component of the AGOA legislation and an essential contributor to the competitiveness of African textiles and trade. Delaying its extension hurts both African and U.S. businesses and undercuts the greatest AGOA success to date as the legislation renewal discussion approaches. CCA and its members therefore urge Congress to move forward with extending the Third Country Fabric provision without further delay.

Building on the success of Third Country Fabric, CCA also encourages the joint committees here today and members of Congress to ramp up the dialogue surrounding the renewal of AGOA in 2015. The legislation passed in 2000 was an opportunity to create

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transcendental change in U.S. – Africa economic relations, but that opportunity has not been realized. AGOA by itself is only a part of the answer, and a more comprehensive approach is needed to address the myriad issues surrounding African development, but it is still the preeminent economic legislation between the United States and Africa.

Just last week, President Obama announced a new policy directive toward sub-Saharan Africa in which trade is a pillar component and AGOA continues to be the driving force. Taking advantage of the increased visibility of AGOA in the White House and through the 2012 AGOA Forum now is the time to turn our attention to renewal. 2015 is rapidly approaching and substantive planning needs to begin now to determine what the next iteration of the legislation will look like. The next generation of AGOA must take in to account methods under the current legislation that have worked and what is out of step with the realities on the ground in Africa. AGOA as it stands now is a positive step toward increasing the commercial relationship between the United States and Africa, but we need to go further.

The importance of getting the renewed version of AGOA right cannot be overstated. As the global economy continues to founder, African countries are fast attracting interest for their democratic gains, robust growth and policy reforms. As a result, Africa's viability as an investment destination is shifting rapidly and its trade with other global partners is growing at unprecedented rates. Africa is an opportunity for the United States and AGOA can be the mechanism by which that opportunity is realized. CCA and its membership urge these Subcommittees and others in Congress to move the AGOA renewal discussion to the forefront. Thank you.

Mr. ROYCE. We will go to Ms. Bass for her questions.

Mr. SHERMAN. If I can just interject, I have been called to the Financial Services Committee. I am glad I was able to hear the witnesses and I may have some questions for the record. Thank you.

Mr. ROYCE. Thank you, Mr. Sherman. Congresswoman Bass.

Ms. BASS. Thank you again, Mr. Chair, Ranking Member, and our witnesses. I had a few questions I wanted to ask you. You know, this is about AGOA more generally. Given that it is more than 10 years old, what aspects do you think are most in need of change? And I am saying this also in light of Mr. McDermott's comments and yours, Mr. Hayes, in terms of we don't want to wait. But in anticipation of the next legislative session, what do you think we need to do to achieve the original goals of AGOA, including increasing U.S. trade and investments with sub-Saharan Africa?

Mr. HAYES. I think—I am sorry. I think there are a number of things that need to be done. AGOA hasn't been—all of us know that AGOA hasn't been as effective as we would like. Its importance is beyond question, both politically and economically. It has meant jobs to thousands of people. I am in total agreement with Tony Carroll in saying that we ought to place sanctions on individuals as opposed to whole countries because of the damage it has done to workers and to industries.

But I think that one of the issues that was not taken into—I guess fully into the planning of this when AGOA was formed, is the realization that the industries in Africa were not at the same point as the industries in Asia in 1960. Infrastructure was different. The fact is that infrastructure is lacking still in many parts of Africa. AGOA is not going to be effective if they can't get their products to market. So clearly, infrastructure needs to take place.

You have countries like Nigeria, that have still 80 percent of its power needs are not met, so how can you expect them to really have a consistent product flow to the United States or anywhere else? So we have got to address those issues if we are expecting AGOA to work.

Ms. BASS. Well, I know that in the forum last week, infrastructure was certainly raised, both physical and institutional, and you have mentioned a couple of things. But what concrete actions do you think that we could take to improve trade capacity? If it is helping the infrastructure, where, how, when?

Mr. HAYES. I think one of the initiatives, for instance, that Secretary Carson took with our own organization, taking an energy—U.S. companies to Africa, because this is also where it helps the American economy. I think we—one of the issues where American companies can invest in Africa and speed up the process of development, energy and power is one of them. I think the mission, the energy mission to poor countries actually introduced 12 companies, 10 of which were being introduced to Africa for the first time as a business destination. And the fact is there are ways to help the American economy at the same time as helping AGOA. I think those are issues.

I think the issue of financing needs to be looked at very carefully. I think legislatively there are—Congress can make a difference on

this. You can't develop if you have no access to financing. And for a range of reasons, unrelated many times to anything happening here, African companies don't have access to financing.

Ms. BASS. Okay. Before my time runs out, I want to raise a couple of other things. One is—and this is for any of the panelists—we are in the middle of negotiating free-trade agreements with several Asian Pacific Islander countries, including Vietnam, which is a major exporter of textiles and apparel to the U.S. And I am wondering if you have any thoughts on how that might impact U.S. trade under AGOA.

And then I also wanted to ask, some people have suggested that the third-country provision may have a negative impact on eligible countries by incentivizing them to concentrate on low value-added production, and I want to know your thoughts on that. Have you seen any evidence of this? How can the United States encourage more diversification in production?

Mr. RYBERG. I am happy to respond to both of your questions, Congresswoman Bass. On the question of TPP, our group is on record opposing extending a single transformation rule of origin to Vietnam, precisely because Vietnam is a superproducer. They are the most competitive producer of apparel in the world.

When the third-country fabric provision was created for AGOA, it was because the AGOA apparel industry was in its infancy and was not competitive. It needed an extra help to enter the marketplace.

The Vietnam situation is the exact opposite. They are the most competitive in the world, and they are the second biggest supplier of apparel to the United States. So giving them the equivalent of third-country fabric, which is the single transformation rule of origin, turns the policy on its head. So we are on record opposing that.

The question of whether third-country fabric inhibits development is a legitimate one and a very serious one. And there is something that we think about all the time. But you really have a chicken and egg problem. To become long-term competitive, you need to be vertically integrated. You need to grow the cotton, and gin the cotton, spin the cotton, and make it into fabric, and then cut and sew that into garments.

Only by being regionally vertically integrated can you really compete in today's marketplace. But textile production, the yarn spinning, the fabric weaving, is capital intensive and high tech, and you have to have a critical mass of customers, the downstream, the apparel manufacturers, in order to attract the upstream investments.

And so the strategy that AGOA took and that we endorse, is you start by growing the downstream, and once that reaches critical mass, then you will start to attract the upstream, the textile manufacturing. And we can see that just starting in Africa today, 12 years after AGOA was enacted.

And so we think that, yes, after a reasonable extension of AGOA third-country fabric, we would be in a position to wean ourselves off it and become globally competitive through vertical integration, but we are nowhere near that point right now.

Mr. ROYCE. I think, following up on that, we are nowhere near the point on vertical integration. We knew it would take some time

to reach that point. But there is another aspect of this as we think about textiles that enters the equation. And maybe, Mr. Ryberg, you or Mr. Carroll would like to comment on that. And that is the competition, for example, on cotton; the fact that the ag subsidies in the United States have an impact on that. Mr. Carroll, would you like to comment on those subsidies for a minute?

Mr. CARROLL. Certainly. I mean, one of the problems that Africa has is that it has historically been with some exceptions, an exporter of raw unprocessed cotton to the developed world, where it is spun and woven and produced into fabric. So there hasn't been, with some exceptions, a direct linkage between fabric production and apparel production.

However, Mr. Chairman and Ranking Member, we are starting to see, as Paul mentioned, the growth of the textile industry in places like Ethiopia because you are now starting to see, as Paul said, a critical mass of demand. Also, fortunately, linked to that, Ethiopia is a cotton-producing country which is starting to show its ability of being able to produce at competitive prices and at higher quality that will be accepted by the world market.

The U.S. textile industry is heavily subsidized. The odd thing about that is it provides a direct subsidy to the Chinese producers who buy that cotton at a lower price and make it even especially additionally difficult for African producers into that market.

If you don't mind, Mr. Chairman, I would like to address one issue that Congresswoman Bass mentioned about what can be done legislatively in the next term. In earlier sessions I discussed and testified on MCC. In that testimony a couple of years ago, I mentioned that I thought consideration should be given to granting regional compacts, because much of the infrastructure does not end at a border and, in fact, crosses a border. And we need to think of creative ways, possibly through the regional economic communities providing sufficient guarantees to allow MCC money to foster regional infrastructure. So that is something that could be done legislatively, and I think that has been discussed—tabled here before. Anything to add on the cotton side?

Mr. ROYCE. Now, let me ask Mr. Bedi another question. When we talk about the eligibility criteria for AGOA, which originally was, there was some controversy involved in that. We wanted to see that eligibility criteria. In your testimony, you said it compelled most African countries to embrace the rule of law, allow for political pluralism, and respect for democracy and basic human rights.

There is a Brookings Report that came out last week that notes that the criteria put into AGOA has been instrumental, in their words, in compelling African governments to improve the climate for business. In other words, improve the rule of law.

Let me hear more about that, if I could. And the reason I want to hear more about it is because I still hear that issue, that we shouldn't have tried to press for independent courts and the rule of law, and I think that might be crucial long term.

Mr. BEDI. Thank you, Chairman. I think the classical example to give here is Madagascar. And a couple of years ago, when we had a President take over the country, the eligibility criteria fell apart, and the Madagascar factories did suffer. But at the same time, there was immense pressure on the administration at that time.

And listen, we need to go back to having elections which are going to be free and fair, and that itself has actually created a sentiment in the whole continent: Listen, either we play by the rules or we will lose all the jobs which Madagascar demonstrated they lost all of AGOA jobs.

So by and large, if you look across the continent everywhere, if you are going to be doing business with the U.S. and if you are going to be doing business under AGOA, there are certain fundamentals that you must observe, and those fundamentals are democracy, political pluralism. And we have seen that. You see Africa coming a long way today having—in Zambia a few months ago, we had a very smooth transition from one government to the other government, and it is no longer that I am here to stay and this is how it is going to be.

Mr. ROYCE. One of the elements of feedback that I always received from those in civil society was that they felt it would be a force multiplier for the arguments they were making as to why rule of law had to proceed, and why, if it did not, there would be a downside risk for the government in power; and thus, whatever progress they made, they could ratchet up in terms of being able to advance the system of law and have a deterrent effect on those who were trying to undermine it.

Mr. BEDI. Yes, but you see the way to look at this, Mr. Chairman, is that we have come from a colonial past here in the last 50 years, most of us. And the whole constitutions of all of these countries were actually designed for the fewer elite and the top echelon that controlled these economies. Kenya is probably the first country that actually changed its constitution in August 2010, and next year as we go into election, we are going to be the only country in Africa as a role model, whereby we have actually changed our entire governance style. We are going to have a devolved government. We are going to have a parliamentary system which is going to be supreme. And we have seen it in the last couple of months.

The President appointed a chief justice, and Parliament said no. And this is the first time in the history of Africa that the Parliament said no, and the President retracted and ran through procedural announcements. And I am sure this will spread across the continent because everybody is talking about a new constitution. In the Zambian election the new President came back and said, We are going to have a new constitution. And we are seeing that happening every other day in the neighborhoods, that they are all talking about this old constitution that they all embraced. And I can tell you that the former Presidents that we have had, they have enjoyed this power, primarily because it was designed for Lancashire and not for Africa.

Mr. ROYCE. Right. Mr. Deutch. Thank you.

Mr. DEUTCH. Thank you, Mr. Chairman. I would like to capitalize on the experiences of the members of the panel and broaden the discussion a bit. As we know, the Chinese have put considerable resources into developing trade with Africa. I wonder if you could speak to what can be done other than—other than renewing AGOA, what can Congress do to promote U.S. competitiveness to encourage further trade and to tackle head-on the competition that

the Chinese pose, given their continued expansion in the continent? I throw that out to the panel.

Mr. HAYES. All right. We also took a delegation to China to look at exactly those issues, some of our businesses. China, the relationship with China and Africa I think is more complex than we give it credit for being. But particularly the large state-owned enterprises get extensive financing. That is easily accessible. They can put a package together very quickly. We simply don't have that capability. One is that—could we reduce that somewhat? Yes. I think we have to find ways that the private sector and the public sector can work together much more quickly. There has got to be an openness to the private sector by the administration, whatever administration that is.

On your specific question, I think financing, again, is key. We are looking to try to structure, you know, a strong positive relationship with Ex-Im. I think they need to be let loose a little bit more on Africa. On one hand, they are—they have the demand that they produce money for the U.S. Treasury, so they are going to be more risk averse in order to meet that demand.

They also have a 2 percent limit now, I think, on—which also is going to make it a little—I think you can—there are many safe investments in Africa, but there is a risk-averse mentality under those two constraints. We have got to find ways to reduce that risk.

American banks aren't investing, aren't making loans available for Africa, certainly not without Ex-Im support. What we are seeing, interestingly, is not a rise in American banks joining CCA, but African banks, Standard Bank, United Bank of Africa, Standard Charter, because they see if American banks aren't going to fill this void, perhaps we can begin to fill that void.

But the number one issue that we heard at the Brookings Institution as part of this AGOA week, we hear from our members, is the access to financing. And that, I think, is one of the most important issues that Congress can deal with.

Mr. DEUTCH. And Mr. Hayes, as long as you have got the microphone, you spoke earlier in response to several comments here about infrastructure and the need for infrastructure development in Africa. You spoke extensively about power. Could you speak as well to the issue of transportation infrastructure, particularly given the number of landlocked countries, and what your vision would be how transportation infrastructure can be expanded for economic development?

Mr. HAYES. Yes, I don't know that I can speak as well on that issue, but the—this is where I think Mr. Carroll was absolutely right, that we need to look at regionalization. You have from one company to another where the rail gauges don't match. You have to take things off the train, and then take them essentially by hand truck over to the next train because the gauge is different. Also, the customs duties country by country, somebody trying to truck something to three or four countries may pay customs duties 20 times along the way.

So there needs to be a harmonization and regionalization and we need to work, I think—look at regions as more viable entities, because if the regions are able to harmonize then, the countries

themselves fall into that category as well. So I think regionalization is vital. We need to support that.

And I think that MCC, I am in total agreement with Mr. Carroll that MCC should look at regional projects and not simply—not simply country by country, because I also think we can compete with China better if we are working on regions than country by country as well.

Mr. DEUTCH. Thank you.

Mr. ROYCE. Thank you, Congresswoman Jackson Lee, would you like to make any—

Ms. JACKSON LEE. Thank you, Mr. Chairman. Thank you for your courtesies, and thank you for your indulgence to the ranking member, to the chairperson, and to my colleagues here. I will make a statement and it is one singular question, if I might.

I had the privilege of traveling on the inaugural trip as we began to finally craft—though many had been working on the AGOA Act for a very long time, as Congresswoman Bass so eloquently spoke at a meeting we were at. And we went on a seven-country congressional delegation to speak to the value of this legislative initiative. And I am proud of my colleagues, Republicans and Democrats, who came together to recognize, I think, one singular point: That the continent of Africa can be one of America's greatest allies, first of all, and has been in the past, but also one of our greatest trading partners, or partner. Sometimes trade gets a bad name, but at the time that we were traveling, we heard words such as "trade, not aid," and we finally reconciled that we want trade and aid where it is necessary and usable.

But the point that I want to make on this record is that AGOA has had enormous success with challenges. But we have seen, and we know it can be documented, that many, many jobs have been created because of the African Growth and Opportunity Act. And over the years we have listened to business persons, governments, and others discussing how important this particular initiative is, this balance of allowing the growth of, in this instance, the textile industry.

So I am interested in finding out the specific impact of the non-extension and what it would do to jobs and what it would do to the progress that has been made, and I am going to start with Mr. Bedi.

Mr. BEDI. Thank you. The impact of non-extension is simple, and I mean, we are going to have a mass exodus of the factories that we have got in the region at the moment. All our production will be shifted to Asia, and besides all that, we have a major problem in the neighborhood where we are seeing all of these terrorist cells coming up. And we are going to actually see joblessness, which can be harnessed to a very different direction because of security concerns.

As we all know, Africa has got a large population which is unemployed, 70 percent of which is under the age of 40. And a lot of them are unemployed, and so that whole impact, if you look at it, we need to create the jobs to create social peace. And I think that is really the agenda that Africa needs to have, and job creation can only be done in a labor-intensive industry like textile enterprise.

Ms. JACKSON LEE. Would you care to give me a ballpark figure as to how many you think might be employed? This has been, I am counting 1997, 1998, when this bill was passed, I think, as I recall. We are in 2012. Obviously, it had to be implemented, but what have you seen in the growth of employment around these industries?

Mr. BEDI. We saw 300,000 new jobs have been created as soon as AGOA was enacted after the year 2000, and which peaked up to about 2006. That is when we hit 300,000. And thereafter after that multifiber agreement, we had some exodus of factories leaving, because the sole purpose of those factories being located in Africa was to beat the quota regime and not so much the tariff regime, the import tariff regime.

The import tariff regime really is that competitive advantage that we have today, as compared to Asia. And today, if you look at those jobs that we would have, it would be about 200,000, because we have already lost about 100,000 from 2005 to 2012.

Ms. JACKSON LEE. Well, let me, I don't know if anyone else, I see some thought here about negative impacts on sub-Saharan Africa. And would anyone want to rebut that statement of any negative impact or explain that statement?

Mr. ROYCE. Maybe the concept, if I can interject, is the negative impact, that jobs are leaving now because we haven't, Congresswoman, been able, we haven't been effective in extending this AGOA provision. And as a consequence, because businesses are planning long range, we see them voting with their feet by moving their factories.

And that is why Congresswoman Bass asked for this hearing today, to see if we could do anything to set in motion a focus on the fact that there has been a real negative impact in terms of businesses deciding to relocate and shipping their orders instead to Asia.

Ms. JACKSON LEE. Well, if the gentleman would yield, there is the making of a bipartisan effort, and I came specifically, although I was delayed in departing, so I thank you for your courtesies. I think you have hit the nail on the head, business planning, and that is why I asked, 300,000 jobs; that means we have an opportunity to increase or to build on 300,000 jobs and to bring companies back and to spread the opportunity even beyond sub-Sahara.

So I just wanted to conclude my remarks, Mr. Chairman, if you continue to yield, and to the ranking member, that I look forward to working in the manner that we can. I just want to leave the record clear: The continent of Africa is a vital, important ally and friend. And that is the nation states with a variety of resources and the infrastructure and human resource component. Building of infrastructure, human resource, and building of the economic engine of that continent will be valuable to the American people, as it will be valuable to the world, and as it will be valuable specifically to the people of the continent of Africa. Thank you for holding this hearing and I yield back.

Mr. ROYCE. Thank you, Congresswoman Jackson Lee, we thank you for that mission that we took to Africa in terms of trying to build support, and the support was there across Africa for AGOA.

And we thank Congresswoman Karen Bass for asking for this hearing today in order to try to jump-start this legislation. I thank the witnesses for their testimony.

We stand adjourned.

[Whereupon, at 3:38 p.m., the subcommittees were adjourned.]

A P P E N D I X



MATERIAL SUBMITTED FOR THE HEARING RECORD

JOINT SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Subcommittee on Terrorism, Nonproliferation, and Trade
Edward R. Royce (R-CA), Chairman

Subcommittee on Africa, Global Health, and Human Rights
Christopher H. Smith (R-NJ), Chairman

June 20, 2012

You are respectfully requested to attend an OPEN hearing to be held jointly by the Subcommittee on Terrorism, Nonproliferation, and Trade and the Subcommittee on Africa, Global Health, and Human Rights, to be held in room **2172 of the Rayburn House Office Building (and available live via the Committee website at <http://www.hcfa.house.gov>)**:

DATE: Wednesday, June 20, 2012

TIME: 2:00 p.m.

SUBJECT: The African Growth and Opportunity Act: Ensuring Success

WITNESSES: Mr. Paul Ryberg
President
African Coalition for Trade

Mr. Anthony Carroll
Vice President
Manchester Trade, Ltd.

Mr. Jaswinder Bedi
Chairman
African Cotton and Textile Industries Federation

Mr. Stephen Hayes
President and CEO
The Corporate Council on Africa (CCA)

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Terrorism, Nonproliferation, and Trade and Africa, Global Health, and Human Rights HEARING

Day Wednesday Date June 20, 2012 Room 2172

Starting Time 2:33pm Ending Time 3:36pm

Recesses N/A (to) (to)

Presiding Member(s)

Rep. Ed Royce

Check all of the following that apply:

Open Session

Executive (closed) Session

Televised

Electronically Recorded (taped)

Stenographic Record

TITLE OF HEARING:

"The African Growth and Opportunity Act: Ensuring Success"

SUBCOMMITTEE MEMBERS PRESENT:

Reps. Ed Royce, Chris Smith, Karen Bass, Brad Sherman, Theodore Deutch, Gerald Connolly

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

Reps. Jim McDermott, Sheila Jackson Lee

HEARING WITNESSES: Same as meeting notice attached? Yes No

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

Reps. Chris Smith, Theodore Deutch, Gerald Connolly

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED _____


Subcommittee Staff Director

Terrorism, Nonproliferation, and Trade Subcommittee
Member Attendance

Republicans

- Rep. Edward Royce (Chair)
- Rep. Ted Poe
- Rep. Jeff Duncan
- Rep. Bill Johnson
- Rep. Tim Griffin
- Rep. Ann Marie Buerkle
- Rep. Renee Ellmers

Democrats

- Rep. Brad Sherman (Ranking Member)
- Rep. David Cicilline
- Rep. Gerry Connolly
- Rep. Allyson Schwartz

The Honorable Gerald E. Connolly (VA-11)
AGHHR/TNT Joint Subcommittee Hearing
The African Growth and Opportunity Act: Ensuring Success
Wednesday, June 20, 2012
2pm

Last week, the State Department hosted the 11th African Growth and Opportunity Act (AGOA) Forum. The forum's theme was "Enhancing Africa's Infrastructure for Trade" with four key objectives: developing "hard" infrastructure such as transport, energy, and telecommunications to improve African competitiveness and promote regional and U.S.-sub-Saharan Africa trade; improving the business climate and effective regulation of key infrastructure sectors that will promote investment in, reduce the costs, and increase productivity in "soft" infrastructure services such as transport, energy, and telecommunications; advancing African regional economic integration efforts by promoting regulatory harmonization, trade facilitation, and strategic development of regional transportation corridors and other infrastructure services that promote integrated/larger markets, cross-border production and regional value chains; and highlighting trade opportunities for U.S. businesses and benefits of U.S. exports of infrastructure-related products and support for U.S. investment and joint ventures (including public-private partnerships) in key infrastructure sectors. In order for substantial, long-term investment in Africa, the path to meet the aforementioned objectives ought to be plotted out in detail with the unique situation of each participating country in mind.

Secretary Clinton pointed out the importance of the forum's theme in her remarks last Thursday. She noted that individuals seeking to invest in Africa point out the lack of physical and regulatory infrastructure. She went on to say that regulatory infrastructure is "just as critical as the physical infrastructure," a statement that couldn't ring more true. That being said, though there is room for improvement under AGOA, the agreement has certainly reoriented the way that we think about development and aid in Africa. Accomplishments to date have shown that Africa has the potential to be an economic powerhouse. As with any region, the proper conditions have to be met.

The progress so far has been heartening. Since the enactment of AGOA in 2000, Africa imports to the United States under the agreement have increased more than 500 percent, from \$8.15 billion to \$53.8 billion. When combined with trade preferences under the Generalized System of Preferences and Most-Favored Nation tariff treatment, nearly 6,400 goods produced in AGOA-eligible countries enter the U.S. market duty-free. What makes AGOA unique is that it directs U.S. government technical assistance and trade capacity building in AGOA beneficiary companies.

Still, there are significant barriers to trade in Africa. The World Bank's report *Defragmenting Africa* details many of the obstacles to increased cross-border trade in Africa. The report makes the case for regional integration as a path toward greater economic opportunities. *Defragmenting Africa* focuses on three policy issues that I agree deserve attention:

- Facilitating cross-border trade, especially by small, poor, traders, many of whom are women, by simplifying border procedures, limiting the number of agencies at the border and increasing the professionalism of officials, supporting traders associations, improving the flow of information on market opportunities, and assisting in the spread of new technologies such as cross-border mobile banking that improve access to finance.

The Honorable Gerald E. Connolly (VA-11)

- Removing a range of non-tariff barriers to trade, such as restrictive rules of origin, import and export bans, and onerous and costly import and export licensing procedures.

- Reforming regulations and immigration procedures that limit the substantial potential for cross-border trade and investment in services.

There are other issues that we ought to address, such as the renewal of the Third Country Multi-Fiber provision, which is set to expire at the end of September. The provision allows AGOA countries to ship duty-free to the U.S. apparel made from fabric outside the region. Ninety-five percent of the AGOA apparel imports in 2010-2011 were under the Third Country Multi-Fiber provision. The United States supports extension of the provision, as, according to the U.S. Trade Representative, it has benefitted Africa's textile and apparel industry and helped American retailers reduce costs and provide greater low-cost apparel options for American consumers.

AGOA is a reminder that U.S. development strategy in any region can use a multi-pronged approach. There are significant investment opportunities in Africa, and I am confident that the United States can work with its counterparts in the region to maximize economic opportunities for entrepreneurs across sub-Saharan Africa. Any such endeavor requires an honest discussion of priorities, obstacles, and expectations.

Thank you, Mr. Chairman.

Congressman Ted Deutch Opening Statement

Thank you, Chairmen Royce and Smith, and Ranking Members Sherman and Bass, for holding today's timely hearing. Having recently joined the Africa, Global Health and Human Rights Subcommittee, I am pleased to have the opportunity to focus on the importance of economic development and trade.

Last week's AGOA forum highlighted the many opportunities and challenges ahead for U.S. economic involvement in Africa. As the President's recently issued policy directive on Africa discusses, strong, sustainable economic development and growth is a key component maintaining our mutual security objectives in the region.

Congress must take the necessary steps to promote an economically viable environment for investment in Africa. Extending the fabric provision is an important step toward doing so, and I hope that we can see movement on that in the very near future.

I look forward to the discussion today with our witnesses, and Chairman Smith, I look forward to serving on this committee.

