Testimony of
Walker A. Williams
President & CEO, Leadership Africa USA
Before the
Committee on Foreign Relations
Subcommittee of Africa and Global Health Policy

The African Growth & Opportunity Act (AGOA)

Mr. Chairman and Members of the Subcommittee on Africa and Global Health Policy, I thank you for this opportunity to testify before your Committee and also for all of the support this Committee has provided to Africa.

As President and CEO of Leadership Africa USA (LA USA) with a professional background of over 3 decades of experience addressing major African development issues which include advocacy activities directly related to the formal launching of AGOA on May 18, 2000. In my opinion, AGOA is still the most comprehensive of all U.S. trade preference programs benefitting 40 countries in sub-Saharan Africa (as of January 2015) eligibility for preferential access to the U.S. market in a wide range of products. It has become a flagstone of the U.S.-Africa relationship and has successfully shifted the U.S. focus to trade and economic issues. The policy priorities of AGOA when launched in 2000 still ring true today --- to increase trade and investment; strengthening the private sector; reducing trade barriers; supporting the rule of law; poverty reduction; economic reform; and encouraging regional integration in Africa.

Mr. Chairman, I have been asked to address three issues:

- AGOA's role in promoting economic growth and investment in Africa;
- Challenges to expanding African exports, and;
- AGOA's impact and the U.S. approach to the region in a changing global trade environment.

Before I begin my testimony I want to reference for the record Leadership Africa USA's AGOA efforts working with the African Ambassadors Group's AGOA renewal efforts and more recently our launching of the AGOA Action Committee and the *'Call to Action'* campaign with Watts Partners, Bechtel, Chevron, the Corporate Council on Africa, the U.S. Chamber of Commerce and major civil society organizations supporting Africa.

Economic Growth and Investment

AGOA has successfully increased two-way trade with Africa in many sectors such as horticulture, apparel, automobiles, ferroalloys, cocoa, chocolate and confectionary products. Under AGOA, total exports from sub-Saharan Africa have tripled and as AGOA countries improve their business and investment climate, the amount of all U.S. FDI has almost quadrupled. AGOA has also supported the diversification of sub-Saharan African economies; since 2001, non-oil, non-mineral exports under AGOA to the United States have increased almost four-fold, but at only 5 billion, there is much room for growth.

AGOA has also created approximately 350,000 direct jobs and 1,000,000 indirect jobs in Africa and 100,000 jobs in the United States.[1]

Earlier this year, U.S. Trade Representative (USTR) Michael Froman succinctly summed up AGOA's success as follows:

> *Under AGOA, total exports from sub-Saharan Africa to the United States have tripled and, as AGOA countries improved their business and investment climates, the stock of U.S. FDI has almost quadrupled. AGOA has also supported the diversification of sub-Saharan African economies; since 2001, non-oil, non-mineral exports under AGOA to the United States have increased almost four-fold, but at only $5 billion, there is much room for growth.*[2]

Despite many AGOA success stories, we believe more needs to be done to bolster Africa's participation in the global economy.

AGOA: ISSUES AND OPPORTUNITIES TO EXPAND AFRICAN EXPORTS

The reauthorization of AGOA presents the 114th U.S. Congress a historic opportunity to assess key issues and AGOA's policy objectives going forward along with several program challenges that should be addressed as part of a enhanced AGOA. Many of the changes and key issues being contemplated by this Congress in the *AGOA Extension and Enhancement Act of 2015* are raised in my testimony to address several key AGOA issues under discussion. The key AGOA issues I have included are; Program Duration, Program Coverage, Eligibility, Export Diversification, Trade, Increasing Investment, Capacity-Building, Regionalization and Communications.

ISSUE: PROGRAM DURATION

We support the actions of key Congressional leaders on April 16, 2015 who put forward a bi-partisan Bill cosponsored by the Senate Finance Committee and the House Ways & Means Committee – *'AGOA Extension and Enhancement Act of 2015'* which referenced issues like AGOA's extension, regional integration, eligibility criteria, AGOA certainty, AGOA beneficiaries utilization strategy, expanding trade and investments, etc. Also included as part of the *AGOA Extension and Enhancement Act of 2015* was renewal of the Generalized System of Preferences (GSP) program and extension of the Preferential Duty Treatment Program for Haiti.

AGOA Extension

While AGOA has contributed to market growth, missed opportunities occur as a result of short or unpredictable project duration. One of the most critical considerations is the amount of time it takes for

---

1 *AGOA Ambassadors Working Group Recommendations for the Re-Authorization of the African Growth and Opportunity Act (AGOA) available at* http://www.leadershipafricausa.org/pdf/activites/Focus%20on%20Africa/Press%20Release/African%20Ambassadors%20Recommendations%20For%20the%20Re-Authorization%20of%20AGOA.pdf

2 Froman, Michael. *Growing the Development Dividend: U.S. Trade Policy and Global Development in the 21st Century*. Office of the United States Trade Representative, 29 Jul. 2014. Web. 8 Dec. 2014.

investment to take root or supply chains to expand. All supply chains need time to develop and companies will not invest in cross-border supply chains if they are not assured that their investments have a chance at success. AGOA can help defray this risk if it remains in place long enough. Ten years has been cited as the absolute minimum for even the most straightforward supply chain, but sectors like agriculture take even longer to develop. In the textiles and apparel sector, for example, investments typically are planned over 10-year periods, and returns on investment take two or more years.

We support a longer renewal of 15 years which has been suggested and is attractive to the business community because it provides predictability and certainty for investors and businesses and helps reduce commercial risk. For many small-and medium-sized entrepreneurs (SMEs) the cost of exporting to the U.S. may be prohibitive absent trade preferences. Sufficiently long renewal periods reduce risk for SMEs and other businesses because they know costs won't change unpredictably. In sectors such as apparel and others, orders have a relatively long lead-time, which requires longer, more predictable project duration. As others such as the *Brookings Institution* have noted, a long renewal period would also allow time to consolidate the gains of the past; make opportunities more predictable, and the relationship more participatory and less unilateral; ensure mutual benefits; be responsive to the transformative priorities of sub-Saharan African countries; and remain supportive of the regional integration agenda.

Also related to the debate on AGOA's duration is a larger question around whether trade preference programs should be replaced with two-way free trade agreements (Free Trade Agreements, or 'FTAs'). This discussion will continue to increase as preference margins erode (due to FTAs and WTO trade liberalization) and as Africa's preferential trade agreements with the U.S. and other trading partners, particularly Europe are signed.

The United States already has Trade Investment Framework Agreements (TIFAs) with several AGOA eligible countries and Regional Economic Communities that are designed to spur private sector investment, increase trade, and facilitate dialogue on areas of mutual interest. According to the *Brookings Institution*, the AGOA countries with existing TIFAs enjoy a proportionally large share of the total exports under AGOA.[3] I also support increased use of TIFAs and greater integration of the business community in the TIFA process. Moreover, the *African Union* has suggested that U.S. policy rely more on TIFAs to gain better market access in countries like South Africa instead of resorting to AGOA graduation policies which could reverse regional integration efforts and potentially undo the progress made under AGOA.

Third Country Fabric Provision

The Third Country Fabric (TCF) Provision is a flexible rule of origin that allows AGOA beneficiary countries to receive preferential treatment for goods manufactured with fabric or yarn from non-AGOA countries and is also set to expire in 2015. The TCF provision has proven to be critical to supporting the growth in the textile and apparel sector, which has been accelerated by AGOA and is an important industry for a growing number of AGOA beneficiaries. The fastest-growing African exporters of apparel under AGOA from 2005-11 were Cape Verde, Ethiopia, Kenya, Lesotho, Madagascar, and Togo. In 2004, Kenya, Lesotho, Madagascar, and Swaziland relied upon the TCF provision to export 90 percent of

[3] Schneidman, Witney & Lewis, Zenia A. *The African Growth and Opportunity Act: Looking Back, Looking Forward*. Brookings Institution, June 2012. Web. 9 Dec. 2014.

textile and apparel goods under AGOA. Without the TCF provision, countries that rely on imported fabric to produce apparel would no longer be able to access U.S. market.

USTR has urged Congress to renew AGOA and third country fabric provisions long enough "to encourage meaningful investment and sourcing"[4] and the *AGOA Ambassadors Working Group* recommends reauthorization "for a significant enough period of time (15-20 years) to inspire investor confidence and allow opportunities to take root and grow." The same applies to the Third Country Fabric Provision. The Ambassadors also note "if the prevailing economic growth rate in SSA is used as a base rate, it could take African LDCs a minimum of 20-25 years to reach the lower income level and develop the capacity to trade globally."

The *African Union* recommends that the TCF provision be extended concurrently with AGOA because the continued success of the textiles and apparel industry in sub-Saharan Africa is dependent on the provision's flexibility.

The *Textiles and Apparel and Retail Industries* have advocated for a long renewal because "[s]hort-term renewals don't provide enough certainty to enable industry to make capital-intensive investment decisions necessary to attract textile and footwear investments or affect long-term sourcing partnership decisions."[5] For the apparel industry, orders alone must be placed approximately nine months in advance. The textiles and apparel industry has also argued that AGOA's third country fabric rule be concurrent with AGOA's duration and renewed for an extended period of time. Included in this group are:

- *American Apparel and Footwear Association* (AAFA),
- *National Retail Federation* (NRF),
- *African Cotton and Textile Industries Federation* (ACTIF),
- *United States Fashion Industry Association*,
- *Retail Industry Leaders Association* (RILA), and
- *Outdoor Industry Association*.

Business groups like the *Corporate Council on Africa (CCA)* and *U.S. Chamber of Commerce* do not offer a specific time period for renewal, but CCA has urged Congress to establish the program for a period "long enough to establish meaningful investment opportunities." The U.S. Chamber of Commerce simply suggests a multi-year renewal.

African Coalition for Trade (ACT), a nonprofit organization made up of private sector actors engaged in trade under AGOA, advocates for a 15-year renewal period to encourage large investments, which take 10-15 years to amortize. A long renewal period would not preclude negotiations of Free Trade Agreements (FTAs), similar to the Caribbean Basin Initiative (CBI) a permanent preference program that led to a number of reciprocal agreements.

[4] Froman, Michael. *Growing the Development Dividend: U.S. Trade Policy and Global Development in the 21st Century*. Office of the United States Trade Representative, 29 Jul. 2014. Web. 8 Dec. 2014.

[5] *U.S. and African Companies Call for Immediate Renewal of AGOA. American Footwear and Apparel Association*, 13 Aug. 2014. Web. 10 Dec 2014. https://www.wewear.org/assets/1/16/AGOA-Renewal-7-Association-Letter-081314.pdf.

A longer 15-year renewal of AGOA, we believe is necessary to attract investment and trade, create jobs and ownership opportunities for SMEs in Africa.

ISSUE: PROGRAM COVERAGE

Program coverage in terms of both countries and products continues to be a AGOA reauthorization issue. AGOA grants preferential market access to the United States for over 6,000 products (building upon the base of GSP), but certain products such as sensitive agricultural products subject to tariff-rate quotas remain excluded. As a result, the trade and development community has long advocated for 100 percent duty-free quota-free (DFQF) treatment for all products from sub-Saharan Africa.

For instance:

- The *African Union* advocates for 100 percent QF treatment for all products, including agricultural products.
- A 2014 *Brookings Institution* study found that extending 100 percent DFQF treatment to AGOA beneficiaries would generate $105 million for African producers at a loss of only $9.6 million of U.S. producers. This benefit is derived almost entirely from the increased preferential treatment for the one percent of goods considered politically sensitive in the United States, and African exporters gained no significant advantage when DFQF was calculated at 99 percent.[6]
- The *National Foreign Trade Council (NFTC)* has proposed amending AGOA to include Regional Economic Communities (RECs) as eligible for AGOA benefits.

ISSUE: COUNTRY ELIGIBILITY

The debate around country eligibility is a significant area of focus, with two main issues emerging: whether to add additional eligibility criteria and how to improve the annual eligibility review process. The AGOA eligibility criteria and reviews act as both a carrot and a stick. The eligibility requirements create incentives for beneficiary countries to strive for higher standards, but they can also penalize countries that miss the mark by withholding or withdrawing benefits. Currently, AGOA eligible countries must have established or make continual progress towards establishing a market-based economy, the rule of law, elimination of barriers to U.S. trade and investment, poverty reduction policies, anti-bribery rules, and protection of workers' rights. Also, countries must not engage in activities that undermine U.S. national security, violate human rights, or support terrorist activities. These eligibility criteria are in addition to the political and economic criteria in the now-expired GSP, which AGOA eligible countries must also continue to meet. Adding to eligibility criteria or strengthening enforcement of eligibility criteria could actually deter investment because it could create greater uncertainty over whether benefits would remain in place.

In advance of AGOA's reauthorization to improve the annual eligibility review process we should clarify the eligibility criteria around the following issues:

- Food Security;

[6] *The African Growth and Opportunity Act: An Empirical Analysis of the Possibilities Post-2015*. Brookings Institution, 2014. Web. 12 Dec. 2014.

- Additional Labor Standards; and
- Business Environment.

For instance, a discussion continues around whether to continue eligibility for South Africa under AGOA, due both to South Africa's relatively advanced economy and political issues. Removing South Africa from the program, I believe, could disrupt critical regional market development. Further, taking preferential benefits away from more advanced economies does not ensure that less developed economies will benefit. Instead, market share tends to drift to other more advanced economies, like China, when preferences are removed.

The *Obama Administration* through the USTR has encouraged Congress to reexamine and update the eligibility criteria, for example by "[elimination of] unwarranted SPS barriers and employment discrimination."[7] It also supports a more flexible eligibility review process, by, for example, adding intermediate steps before complete withdrawal is announced, such as partial withdrawal of benefits we believe is fairer and support.

AFL-CIO and Solidarity Center have suggested that an AGOA renewal include continued improvement toward all core labor rights in ILO Conventions, and adding intermediate steps before revocation of eligibility to support workers and prevent retaliation against them.

ISSUE: DIVERSIFICATION OF EXPORTS UNDER AGOA

Growth in exports is a central goal of AGOA and key to sustained economic growth and development, yet many sub-Saharan African countries have struggled to diversify their export base even with AGOA's benefits. A concentrated export base can be vulnerable to market disruptions on both the supply and demand sides, which makes countries more susceptible to economic and political volatility. A diverse export base, on the other hand, spreads commercial risk across many products and industries, which can help countries' better absorb market disruptions and maintain economic growth.

Despite AGOA's broad product coverage, petroleum is by far the most heavily exported AGOA product, comprising 82 percent of total imports under AGOA in 2013.[8] AGOA has already facilitated exports in non-traditional products, but petroleum exports continue to dominate AGOA trade, hovering at between 80 to 90 percent of total AGOA exports. Continued support for export diversification under AGOA would better distribute the benefits of AGOA and support sustained economic growth.

Technical Assistance and Capacity Development

The USAID Trade Hubs (now renamed Trade and Investment Centers) have helped some AGOA beneficiary countries develop National Investment and Export Strategies, designed to helped boost exports under AGOA. The strategies identify potentially competitive products and industries and market gaps that could prevent growth at scale. For example, Mauritius has identified light manufacturing of

---

[7] "Testimony of United States Trade Representative Michael Froman Before the Senate Finance Committee on the African Growth and Opportunity Act (AGOA)." Office of the United States Trade Representative, 30 Jul 2014. Web. 13 Dec. 2014.

[8] Loucif, S.J. *U.S. Trade with sub-Saharan Africa, January-December 2013*. International Trade Administration, n.d. Web. 9 Dec 2014.

cutlery and hardware as potentially competitive, but assistance is needed with branding. In Mozambique, there is great competitive potential for agriculture products, including cashews and coconut, but this potential is hampered by poor infrastructure and requires technical assistance to comply with foreign SPS requirements.

Capacity building initiatives can also support diversification of exports under AGOA, especially those targeted at regional integration and supply chain development. For example, trainings on design and marketing would help improve the competitiveness of the textile and apparel industry, and sanitary and phytosanitary (SPS) training would help farmers access larger regional and international markets. In the textile and apparel sector, support for vertical integration is key to strengthen the development of the apparel industry and would also help support the development of related sectors like cotton.

We suggest the United States formally assist AGOA countries with their national investment and export strategies and need policies to support them.

We need a more comprehensive AGOA trade and investment strategy that will link trade and investment opportunities, build value chains, and strengthen participation in African regional markets --- a "Support Programme Imports (EIAO)," to support export diversification for sub-Saharan African countries and encourage U.S. businesses to increase imports from Africa[9] in part through capacity building that will support, grow and diversify AGOA markets.

ISSUE: ENHANCING AGRICULTURAL TRADE

A strong area of focus for AGOA's renewal is agriculture. Agricultural exports under AGOA have been sluggish, despite the agriculture sector's importance to sub-Saharan Africa. Enhancing market access for agricultural products and addressing supply and demand side constraints could help boost agricultural exports and greatly contribute to the region's economic growth.

Despite challenges around agricultural trade, exports of agricultural products under AGOA have increased eight percent. Those benefits are "widespread; nearly two-thirds of AGOA beneficiaries experienced significant positive increases in their agricultural exports as a result of AGOA."[10] AGOA has positively impacted the agriculture sector in sub-Saharan Africa, however, significant untapped potential for growth remains.

Agriculture employs over half of the population, roughly 65 percent, and approximately half of those employed in the sector are women. Agriculture growth is two to four times more effective at directly reducing poverty than growth originating in other sub-Saharan Africa sectors, and "for every 10 percent increase in farm yields, there has been a seven percent reduction in poverty in Africa."[11]

---

[9] *AGOA: Trade and Investment Performance Overview*. United States International Trade Commission, 24 Apr 2014. Web. 11 Dec. 2014.
[10] *AGOA: Trade and Investment Performance Overview*. United States International Trade Commission, 24 Apr 2014. Web. 11 Dec. 2014.
[11] Carletto, Calogero, Jolliffe, Dean, and Banerjee, Raka. *The Emperor has no Data! Agricultural Statistics in sub-Saharan Africa*. 2013. Web. 15 Nov. 2014. *Available at* http://mortenjerven.com/wp-content/uploads/2013/04/Panel-3-Carletto.pdf.

Table 2: African Agricultural Exports (value and share by destination, 2012)

Destination	Value (billion $)	Share (percent)
World	57	100.0
Europe	20	35.4
Africa	13	23.5
Asia	12	21.7
Middle East	5	8.1
North America (United States)	3 (2)	5.4 (3.5)
South and Central America	2	2.7

Source: Center for Global Development[12]

The *Obama Administration* has recognized the need to re-examine the agricultural tariff lines excluded from AGOA and determine whether any additional products could be added due to possible shifts in political sensitivity.[13] We fully support this review.

Tariff Rate Quota (TRQ) Administration: Despite the importance of the agriculture sector, many products like meat, dairy, sugar, tobacco, cotton, and value-added products containing dairy and sugar (*e.g.*, chocolate) are subject to tariff rate quotas (TRQs) that pre-date AGOA, which limit their trade to U.S. markets. Although these products are politically sensitive in the United States, they hold great export potential for Africa.

The WTO G-20 group of developing countries has pushed for changes to the TRQ rules during the Doha Round of trade negotiations. At the 2013 Bali Ministerial, part of the Doha Round, *WTO Members* reached a compromise agreement that stipulates that if tariff rate quotas for agricultural products remained under-filled, then the importing country will either accept goods at the lower tariff rate on a first-come, first-served basis until the quota limit is reached or issue an automatic import license upon request until the quota is filled. The compromise will be in place for six years unless WTO Members agree to renew or modify it. After the six-year period, countries can opt out of the compromise agreement, which the United States has said it would do.

Assistance Meeting SPS Standards: We know firsthand that simply eliminating tariffs is insufficient to boost agricultural exports under AGOA. Addressing nontariff challenges will also be critical, some of which are the focus of capacity building initiatives linked to AGOA. A particular challenge for agribusiness, particularly SMEs, has been compliance with complicated U.S. sanitary and phytosanitary (SPS) requirements.

The United States Government should move forward and could provide additional support to AGOA countries for SPS, for example assisting those seeking import approval for horticultural products from the U.S. Animal and Plant Health Inspection Service (APHIS) be implemented as recommended in a 2010 report published by the *International Food and Agricultural Trade Policy Council* (IPC).

---

12 Elliott, Kimberly. AGOA's Final Frontier: Removing US Farm Trade Barriers. Center for Global Development, 28 Jul. 2014. Web. 12 Dec. 2014.

13 "Fact Sheet: Investing in African Trade for our Common Future." The White House, 4 Aug. 2014. Web. 11 Dec. 2014.

It is also important to note that many countries lack the capacity to implement their own SPS standards, which, on paper, are aligned largely with international norms. Increased U.S. support to help implement SPS standards would also help AGOA countries take better advantage of export opportunities.

ISSUE: SIMPLIFIED RULES OF ORIGIN

Rules of origin (ROO) are used to determine where a product originates, which is an important factor in determining whether a product is eligible to receive benefits under a preference program like AGOA. While rules of origin will help ensure that trade preferences are not bestowed on non-beneficiary countries, complicated rules of origin can place undue burdens on companies and customs officials alike and may ultimately discourage use of preference programs. Simplifying and unifying rules of origin for preference programs could lead to higher usage rates by more AGOA beneficiary countries. For example, the more flexible third country fabric provision (mentioned above) has facilitated growth in the apparel sector. Also, allowing cumulation from other African countries will help to support regional integration efforts.

In addition to the rules of origin under AGOA itself, rules of origin across preference programs are an issue. Many developing and least developed countries are eligible to receive preferential treatment under programs from a number of countries, all with different rules of origin, which can quickly become trade restrictive for developing countries that lack capacity to navigate these complex and conflicting sets of rules. Most AGOA beneficiary countries are also eligible to receive preferential treatment from the European Union (Everything but Arms), Canada (Least Developed Country Tariff Program), Japan (GSP), and Australia (Australian System of Tariff Preference), among others.

During the Hong Kong Ministerial Conference in 2005, WTO Members acknowledged the difficulty that developing countries have in navigating diverse rules of origin under multiple preference programs. In a step towards harmonizing rules of origin, WTO Members agreed upon draft guidelines on rules of origin for preference programs for least developed countries during the 2013 Bali Ministerial Conference. The draft guidelines encourage rules of origin to be simple and transparent. Since then, the WTO has created a Database on Preferential Trade Agreements that contains information on the various rules of origin for preference programs of WTO Members.

- We propose simplifying AGOA rules of origin by:
    - Conforming to the WTO draft guidelines on rules of origin for preference programs;
    - Extending uniform rules of origin to all African countries to support regional harmonization;
    - Review the apparel industry uniform rules of origin and the third country fabric provision;
    - Reducing the value-add requirement to a percentage that is more in line with Africa’s economy, e.g., “10-15 [percent] African content;”[14]

[14] *How ‘AGOA 2.0’ Could Be Different: Outlining Africa’s Position on the AGOA Review process.* African Union and United Nations Economic Commission for Africa, Apr. 2014. Web. 12 Dec. 2014.

ISSUE: INCREASING INVESTMENT

AGOA as a trade preference program aimed at increasing African exports to the United States, its goals also include increasing investment on the sub-continent. Due to the central nature the program has played in discussions on U.S. trade and investment policy, along with growing interest from the U.S. business community, AGOA does have the potential to link more closely to investment promotion. In addition to the business community, African institutions and development programs, such as the USAID Trade Hubs (now renamed the Trade and Investment Centers) have encouraged increasing investments by African governments using AGOA as one tool alongside other U.S. programs and policies.

Trade and investment are highly interconnected. The increase in trade between sub-Saharan Africa and the United States has been accompanied by increased foreign direct investment (FDI) in Sub-Saharan Africa. At the time when AGOA was enacted, U.S. companies were leaving sub-Saharan Africa at an alarming rate. The trend has, however, radically reversed with U.S. FDI to SSA countries having increased by over 50 percent between 2001 and 2007. Unfortunately the U.S. has been slow to invest in Africa, while other countries, including Brazil, India, and China, have raced to participate in Africa's growing economy.

Sub-Saharan Africa's economies grew by an average of five percent in 2013, and growth is projected to increase going forward. Foreign investment is expected to be approximately $80 billion in 2014. President Obama last year announced a commitment of $33 billion investment in Africa by the U.S. Government, the private sector, and the World Bank. The President's Power Africa Initiative also received funding of $12 billion in August 2014 and will be an important counterpart program to AGOA, as energy is one of the major supply-side constraints facing increased trade. A renewed AGOA has the potential to encourage more American firms to invest in a diverse range of sectors throughout sub-Saharan Africa and help to keep the U.S. competitive in the region.

An approach advocated by the *AGOA Ambassadors Working Group* among others, is an AGOA targeted tax incentives for U.S. companies that invest in non-extractive, priority sectors in AGOA beneficiary countries. These incentives could come in the form of tax credits or grant a zero tax rate on repatriated income or "development exception."[15] It would also help decrease the level of commercial risk and facilitate more U.S. private sector investment in non-petroleum products in the region, which is already forecasted to increase by approximately 20 percent.[16]

For instance, during the *U.S.-Africa Leaders Summit* last year the United States announced a number of new trade and investment pledges for Africa. These new commitments include $300 million annually to expand the Power Africa initiative, seven billion to the Doing Business Africa initiative, and additional funding for the New Alliance for Food Security and Nutrition. In addition, large commitments were made by the private sector and civil society at concurrent side events during the Summit. These investments

---

[15] *AGOA Ambassadors Working Group Recommendations for the Re-Authorization of the African Growth and Opportunity Act (AGOA) available at*
http://www.leadershipafricausa.org/pdf/activites/Focus%20on%20Africa/Press%20Release/African%20Ambassadors%20Recommendations%20For%20the%20Re-Authorization%20of%20AGOA.pdf

[16] Schneidman, Witney & Lewis, Zenia A. *The African Growth and Opportunity Act: Looking Back, Looking Forward*. Brookings Institution, June 2012. Web. 9 Dec. 2014.

support increased exports under AGOA by enhancing infrastructure development, linking U.S. and African private sectors, reducing trade barriers in Africa, and supporting agricultural production in AGOA beneficiary countries.

The *AGOA Ambassadors Working Group* recommends creating a Diaspora Fund to share knowledge about doing business in U.S. markets and provide capital using financing facilities to incentivize Diaspora investment compatible with AGOA's mandate should be explored.

ISSUE: TARGETED TRADE CAPACITY BUILDING

Preferential market access under AGOA has long been linked to trade capacity building through initiatives like the USAID Trade and Investment Centers and other programs. A long-standing question is how trade capacity building could be better linked to AGOA so that it could more sufficiently address both supply and demand side constraints that prevent businesses, particularly SMEs and women entrepreneurs, from taking advantage of the program and reaping its benefits.[17] A particular focus has also been placed on how capacity building could better support regional integration. I believe there is widespread support throughout sub-Saharan Africa, across industries and sectors regarding the importance of capacity building to sustainable development.

John Kufuor, former president of Ghana from 2000 to 2008, applauded AGOA "as a "stimulus" for African manufacturers and as "a welcome challenge" for African companies, which must meet its rigorous criteria for accessing the U.S. market."[18] However, he also noted that African entrepreneurs lack experience competing in the global economy and therefore need extra assistance and training to overcome knowledge and skills gaps.[19] Africa's high trade barriers prevent trade and investment from taking root and thwart regional integration efforts that would better connect Africa to the global economy.

The USAID Trade Capacity Building database estimates the United States provided over $3.3 billion in trade capacity-building assistance to sub-Saharan Africa between 2001 and 2009. In 2012, the United States spent approximately $94.6 million in trade capacity building assistance in AGOA countries.[20] However, current capacity building initiatives need to be better coordinated to increase effectiveness. Better coordination and linkage with AGOA would help facilitate the program's objectives and leverage dollar expenditures.

Capacity building efforts could focus on reducing regional trade barriers and building capacity for higher value activities, particularly in areas that show promise and fall under AGOA like agriculture, textiles and apparel, and the leather industry. A possible agriculture investment example could leverage activities

---

[17] Note, the House Committee on Foreign Affairs and Senate Committee on Foreign Relations have jurisdiction over legislation concerning capacity building for Africa.

[18] Schneidman, Witney & Lewis, Zenia A. *The African Growth and Opportunity Act: Looking Back, Looking Forward*. Brookings Institution, June 2012. Web. 9 Dec. 2014.

[19] Interview with John A. Kufuor, former president of Ghana (2001-9), Washington, April 17, 2012. Cited from Witney Schneidman, "African Perspectives on AGOA." *The African Growth and Opportunity Act: Looking Back, Looking Forward* (2012): 23. Brookings Institution. Africa Growth Initiative, June 2012. Web. 9 Dec. 2014. <http://www.brookings.edu/~/media/Research/Files/Reports/2012/6/agoa/agoa_full_report.pdf>

[20] Williams, Brock R. *African Growth and Opportunity Act (AGOA): Background and Reauthorization*. Congressional Research Service, 24 Jul. 2014. Web. 9 Dec. 2014.

under the New Alliance for Food Security and Nutrition (which is also linked to the African Union's Comprehensive Africa Agriculture Development Programme (CAADP)) could be linked to AGOA eligible agricultural products in beneficiary countries and amplify the benefits generated under both programs. The Obama Administration has also suggested improving the link between AGOA and infrastructure investment initiatives like the U.S.-Africa Clean Energy Finance and USAID funded development projects at the ports of Mombasa and Dar es Salaam and along the Northern and Central Corridors.[21]

In theory, the United States Agency for International Development (USAID) is the coordinator of trade capacity building, but a 2014 GAO study found challenges with its structure. For example, the official agency strategy pre-dates the creation of the Millennium Challenge Corporation (MCC), which means MCC's critical trade capacity building activities are unaccounted for in USAID's coordination plan.[22] One widely supported proposal is the establishment of a more formal coordination process between the more than 12 implementing agencies of U.S. capacity building assistance.
I would be remiss if I did not include in my testimony the importance of infrastructure to promote socio-development and poverty reduction in Africa. Intentionally implicit in AGOA's mission is support for an infrastructure development strategic framework in support of regional and continental infrastructure development in energy, transport, water, health, ICT and power and electricity. Without a sustainable infrastructure base in Africa AGOA's true development impact will not be fully achieved.

According to the World Bank, just 16% of Sub-Saharan African roads were paved in 2011, compared with 26% in Latin America, 65% in East Asia and 79% in OECD countries. Only one in three Africans had access to electricity, against nine in ten people elsewhere in the developing world. Poor infrastructure is a major impediment to even faster economic development; the continent loses 2 percentage points of GDP growth annually as a result of its infrastructure deficit.

The American business community continues to fight for initiatives such as the African Growth Opportunity Act (AGOA) because they believe more must be done to help our private sector compete in African markets. While others forge ahead the U.S. may be falling behind. Companies operate with long planning horizons and sourcing decisions made many months or even decades in advance.

AGOA's pending expiration provides an opportunity to review U.S.-Africa economic relations and broaden the relationship to include a focus on supporting the critical infrastructure needed to achieve the impactful outcomes envisioned in AGOA. Investment in infrastructure needs to be more than doubled to about $93 billion a year within a decade and AGOA can be a catalyst to help spur U.S. investment opportunities in this sector.

ISSUE: EXPANDING REGIONAL TRADE AND INTEGRATING AFRICA INTO GLOBAL SUPPLY CHAINS

We believe there is broad consensus on the need to support deeper regional integration. Regional market development holds particular promise for African economic development and increased investment alike.

[21] "Fact Sheet: Investing in African Trade for our Common Future." The White House, 4 Aug. 2014. Web. 11 Dec. 2014.
[22] *USAID Should Update its Trade Capacity Building Strategy*. United States Government Accountability Office, Aug. 2014. Web. 14 Dec. 2014.

Regional trade can produce economies of scale, and AGOA could better link to and support regional harmonization efforts already underway, including the Trade Africa initiative. Although AGOA is a trade preference program that opens the U.S. market and not a bilateral trade agreement, greater focus on regional markets could strengthen the program's reach.

Building stronger regional markets will also encourage value chain development within sub-Saharan Africa and between African countries and global supply chains. This is critical because, as the UN stresses,"[i]n developing countries… value added trade contributes some 28 [percent] to countries' GDP on average… [and furthermore,] [e]conomies with the fastest growing [global value chain] participation have GDP per capita growth rates some 2 percentage points above the average."[23]

Trade Facilitation is also a topic of focus and, notably, efforts to improve trade facilitation will both encourage regional market development and integrate Africa into global supply chains. At the Bali Ministerial Conference in 2013, WTO Members reached consensus on the Agreement on Trade Facilitation which includes a number of measures designed to enhance transparency, accelerate customs clearance times, and simplify customs formalities and procedures, all of which are expected to increase sub-Saharan Africa imports by about 55 percent and increase exports by 63 percent. Measures addressing supply side trade constraints allow businesses to be more competitive by reducing the amount of time it takes them to get their goods into the hands of end consumers. Facilitating trade at the borders increases predictability of delivery times and costs. Trade facilitation activities will have positive spillover effects. For example, previous trade facilitation activities in Burundi to streamline tax collection increased government revenues, which in turn fund health and education projects.

Improved trade facilitation will improve AGOA usage rates by making it easier for more businesses to engage in cross-border trade through faster clearance times, increased transparency, and lower overall trade costs. Targeted, coordinated trade facilitation will play an important role and could improve hard and soft infrastructure and trade logistics, create enabling environments that increase market access for SMEs, local businesses and regional integration.

Additional trade facilitation measures linking AGOA to service sector investments will be critical to value chain development. A diverse range of services are needed to make value chains develop and function, including transport, storage, and distribution services, along with financial, legal, and advisory services, and others. The payoff of improving services can be quite significant. Agricultural exports, for example, are highly responsive to quality of transport services and trade-related infrastructure. The potential for growth in services is significant, and AGOA should reap this benefit.

The Corporate Council on Africa and East African Business Council developed joint recommendations on trade facilitation that were presented at the August 2014 U.S.-Africa Leaders Summit in the context of the U.S.-East African Community Trade and Investment Partnership and Commercial Dialogue, led by USTR and the Department of Commerce, respectively. Through *The Corporate Council on Africa's Trade Working Group* in partnership with USTR and Commerce are involved in actions that could be implemented to strengthen the agricultural and apparel value chains, improve digital trade, build the cold

---

[23] *Global Value Chains and Development: Investment and Value Added Trade in the Global Economy*. United Nations, 2013. Web. 10 Dec 2014. http://unctad.org/en/PublicationsLibrary/diae2013d1_en.pdf.

chain, and improve customs procedures and technology, including electronic payment systems. The *U.S. Chamber of Commerce* is leading a global effort on trade facilitation that is complementary of these efforts related to sub-Saharan Africa.

ISSUE: SUSTAINED HIGH-LEVEL POLITICAL DIALOGUE

Although AGOA is an economic program, continued support for building the trade and investment relationship between the United States and African nations requires high-level political commitment. We recommend enhanced political dialogue that demonstrates a mutual dedication to strengthen and multiply commercial linkages would help strengthen the relationship between the United States and Africa and improve confidence among investors and businesses.

Events like the historic U.S.-Africa Leaders Summit which brought together President Obama and more than 40 Heads of State from sub-Saharan Africa to discuss ways in which to increase trade and investment, enhance security, and strengthen democracy must be continued. Notably, China and the European Union, both of which have aggressive commercial policies on Africa, hold regular Summits with African Heads of State. For example, through the Forum on China-Africa Cooperation, Chinese and African ministers meet annually, and a heads of state summit is held every three years.

Key outcomes from the 2014 U.S.-Africa Leaders Summit and additional ways in which AGOA could help foster political dialogue between the United States and sub-Saharan Africa include:

- Among the specific commitments achieved were: (i) increase investment in the New Alliance for Food Security and Nutrition, (ii) escalate Power Africa efforts through the Programme for Infrastructure Development in Africa (PIDA) framework and by providing $300 million per year to achieve 30,000 MW power, (iii) expand U.S. trade and investment platforms, (iv) renew AGOA, and (v) provide $7 billion in financing over the next two years under the Doing Business in Africa Campaign.[24]
- A recommendation from The *AGOA Ambassadors Working Group* supports more frequent Congressional delegation visits to AGOA countries to enable legislators to witness the effects of AGOA and better understand the region's commercial opportunities and challenges, and help to inform future legislative decisions.

We recommend a Summit-level meeting held every two years would build on the success of the 2014 Summit and continue to enhance political dialogue among the Heads of State of AGOA beneficiary countries and the United States. These Summits would provide a regular opportunity to discuss common interests, and could also enhance the utility of the annual AGOA forums.

Mr. Chairman and Members of the Subcommittee, thank you for providing me with the opportunity to speak before you today. I hope you will move forward and resolutely to pass AGOA's reauthorization.

[24] *Statement by the Chair of the U.S.-Africa Leaders Summit*. The White House, 6 Aug. 2014. Web. 14 Dec. 2014.