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AGOA III: THE UNITED STATES–AFRICA PARTNERSHIP ACT OF 2003

HEARING

BEFORE THE

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THURSDAY, MARCH 25, 2004

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 9:35 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman of the committee), presiding.

Present: Senator Lugar.

OPENING STATEMENT OF SENATOR RICHARD G. LUGAR, CHAIRMAN

The CHAIRMAN. The Senate Foreign Relations Committee is called to order.

It is my special pleasure to welcome our distinguished witnesses and guests to this hearing on trade between the United States and Africa.

In November, I introduced the United States-Africa Partnership Act, Senate bill 1900. This bill would expand upon the bipartisan African Growth and Opportunity Act, AGOA, which became law in May of 2000. Subsequently AGOA II extended the benefits of the original bill until 2008. The United States-Africa Partnership Act would extend AGOA benefits until 2015. This coincides with the goal of the World Trade Organization to have a tariff-free world by 2015.

The AGOA laws have strengthened trade ties between the United States and African nations. The experience of AGOA has taught us valuable lessons about the path to enhanced investment and economic development and has confirmed some of the key principles that proponents of market-based developments have used to guide policy.

AGOA has demonstrated that a commitment to good governance and a positive investment climate are important to economic growth. Countries such as Lesotho, which has made significant efforts in recent years to promote economic reform and stable democracy, have derived the most benefit from the AGOA provisions.

The experience of AGOA also has demonstrated that regional integration is as essential to development as access to the U.S. and other foreign markets. Using the infrastructure and economic stability of South Africa as a base, neighboring southern African countries have worked together to take advantage of the benefits under AGOA.

We need to continue to build upon this initial success. My bill, which has been cosponsored by Senators Hagel, DeWine, and Fitzgerald, offers trade benefits, more United States private sector investment incentives, and increased dialog with African governments. It envisions a continued economic partnership between the United States and African nations.

To gain these benefits, African countries are expected to undertake sustained economic reform, abide by international human rights practices, and strengthen good governance. These standards have been used by the United States to stimulate reforms in Asia, Latin America, Eastern Europe, and elsewhere. A stable and prosperous Africa will be better equipped to cooperate on a range of shared problems, including weapons proliferation, terrorism, narcotics, and contagious diseases.

Congress' attention to an AGOA extension is a time-sensitive matter. The AGOA provision that allows least developed countries, LDCs, to export capped quantities of apparel made from third country fabric to the United States duty-free expires in September of this year. The proposed bill extends this provision until September 30, 2008. If this special rule for LDCs is not extended before its expiration, much of the economic progress that has been made under AGOA could be threatened.

In an effort to stimulate business partnerships, the bill also addresses investment incentives and encourages the overseas Private Investment Corporation, the Export-Import Bank, and the Foreign Agricultural Service to facilitate investment in AGOA-eligible countries. It directs the Secretary of the Treasury to seek negotiations regarding tax treaties with eligible countries, which will provide further incentives for United States investors.

The new bill also develops initiatives to provide technical support and capacity building. It encourages United States-African links in the fields of agriculture, transportation, energy, and communications. It also grants funding for the continuation of the AGOA forums that have taken place in the United States and Africa. These forums are an essential aspect of monitoring the progress of AGOA and tailoring its implementation to ensure that the objectives are achieved.

I believe it is critical to expand on the partnership between the United States and African nations by moving forward with Senate bill 1900. The bill recognizes the enormous potential for economic growth and development in sub-Saharan Africa. It embraces the vast diversity of people, cultures, economies, and potential among 48 countries and nearly 700 million people. A stable and economically prosperous Africa can provide new partnerships that will contribute greatly to our commercial and security interests.

This morning I welcome distinguished witnesses. Alan Larson is Under Secretary of State for Economic, Business, and Agricultural Affairs. Florizelle Liser is Assistant United States Trade Representative for Africa, and Constance Newman is Assistant Administrator for the Africa Bureau at the Agency for International Development. I look forward to each of your insights and to working with each of you on improving U.S.-African trade relationships.

I would ask that the witnesses testify in the order that I have introduced them, first of all, Secretary Larson, then Ms. Liser, Ms. Newman. Each of your statements that you have prepared will be made a part of the complete record, so you need not ask for permission. It is granted. Please summarize but, at the same time, fully state the things that we need to know. That is the purpose of the hearing, not to truncate your statements, but to fulfill our obligation to bring much greater focus on this entire subject, quite apart from the specific legislation that I have mentioned because of its time-sensitive character.

Once again, Secretary Larson, it is a privilege to have you before the committee. Will you proceed with your testimony.

STATEMENT OF HON. ALAN P. LARSON, UNDER SECRETARY OF STATE FOR ECONOMIC, BUSINESS, AND AGRICULTURAL AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. LARSON. Thank you very much, Mr. Chairman, and thank you for inviting me to join my colleagues to testify on AGOA. Thank you for your leadership in supporting the first AGOA bill in 2000 and being such an active proponent of trade and investment relationships with Africa more generally.

AGOA is a key part of our national policy of engagement with sub-Saharan Africa. We are working to make freedom, prosperity, and security the benchmarks of the U.S.-Africa partnership. As you mentioned, sir, fighting AIDS and breaking the cycle of famine and hunger in Africa are also top priorities for President Bush and Secretary Powell.

Trade is an integral part of this overall Africa policy. Trade fosters greater prosperity. It supports our efforts to improve rule of law, to secure peace, to protect natural resources, and to increase human capacity. Trade helps Africans and their governments learn how to do business according to new rules, not only trade rules, but also rules and norms involving labor standards, environmental standards and investment codes.

AGOA is the centerpiece of our trade policy toward Africa. Under it, duty-free and quota-free access for most eligible products is available, and that brings benefits not only to African businesses and African workers, but also to American businesses and American consumers. In many cases, new factories established in Africa have purchased American equipment. Overall, U.S. exports to Africa were up 15 percent in 2003 over the previous year's level, and overall at the end of 2002, U.S. investments in sub-Saharan Africa stood at just over $12 billion, which was an 18 percent increase over the previous year.

AGOA gives us credibility in our regular trade and investment dialog with the Africans through the AGOA forums. I have had the privilege, Mr. Chairman, of participating in each of the three that have been held to date, and I can tell you firsthand that when Ambassador Zoellick and I and other colleagues from the administration discuss with African leaders our concerns, whether it is over the agriculture provisions of the Doha development agenda or over issues like crop biotechnology, we have much greater credibility because we are not just lobbyists with them, we are partners with them. That partnership is forged by our partnership in AGOA.

We believe very strongly, Mr. Chairman, that trade and aid can be mutually reinforcing. We appreciate your strong support for the Millennium Challenge Account. Both the MCA and AGOA are ways of expanding the circle of opportunity in developing countries that are serious about taking responsibility for their own economic growth.

It is interesting that the countries that are taking advantage of AGOA best and those we expect to benefit most from the MCA share several traits. They are the countries that are doing the most to improve governance and the rule of law. They are the ones that are doing the most to invest in their own people and they are the ones that are doing the best job of giving economic opportunity to their own citizens. In short, AGOA helps most those countries that are doing the most to help themselves.

AGOA is working. Last year African exports under AGOA and GSP increased by 32 percent to just under $3 billion when one excludes energy. When one includes energy, AGOA exports increased by 55 percent to something over $14 billion.

The seven countries that keep track of AGOA job creation, Kenya, Lesotho, Malawi, Mauritius, Namibia, Swaziland, and South Africa, credit AGOA with providing employment to over 150,000 workers.

It is important to emphasize that AGOA is touching individual lives. For example, there are courageous Rwandans who are rebuilding their lives a decade after the horrors of the early 1990s. We know of the example of two women who are developing a cottage industry that now employs 225 women to produce colorful baskets that are woven from sisal and fabric, and they are getting help from American business partners in the marketing of these products under AGOA.

Mr. Chairman, I started out my career as a teacher in Kenya. When I joined the Foreign Service, my first two posts were as a young diplomat in Freetown, Sierra Leone, and later in Kinshasa, Zaire. Those days were quite a while ago, but the thing that stands out in my memory are the individuals who were making important, courageous efforts to try to improve development in their own countries. The importance of AGOA in my mind is that it gives hope and opportunity to individuals today to really make a difference in their countries. This is the way, through small scale efforts like this, multiplied across the entire continent, that I think we are going to see the development that Africa so desperately needs.

We welcome the fact the countries like South Africa, the largest and most diversified country, have benefited so much from AGOA. In Kenya, where I started my career, we have the very welcome experience of seeing AGOA exports increase by nearly 43 percent last year to something over $184 million.

As you said, Mr. Chairman, we are now considering the future of AGOA. We want to keep in mind President Bush's commitment to see AGOA extended well beyond 2008, and we applaud, Mr. Chairman, your initiative to introduce legislation that accomplishes that and other important objectives.

In sum, we are very pleased at the positive effects of AGOA in these past 3 years. It really is creating a new dynamic that is deepening the economic ties between eligible African countries and the United States, and in my view most importantly, it is giving Africans new hope and new opportunity.

Thank you. .

[The prepared statement of Mr. Larson follows:]

Prepared Statement of Hon. Alan P. Larson

Mr. Chairman, Senator Biden, and Members of the Committee, thank you for inviting me to testify today before the Committee on the African Growth and Opportunity Act (AGOA). It is a particular pleasure to testify on AGOA before this Committee that has been so active in promoting trade and investment between the United States and sub-Saharan Africa. In particular, I want to recognize your role, Mr. Chairman, in supporting the first AGOA bill in 2000.

U.S. POLICY TOWARD AFRICA

AGOA is one part of a much broader policy of engagement with sub-Saharan Africa. U.S. policy in Africa aims to foster development and democracy and create an environment in which freedom, prosperity and security become benchmarks of the U.S.-Africa partnership of the twenty-first century. We are committed to helping African countries develop the democratic institutions that encourage good governance and rule of law. Development of independent media, effective parliaments, and independent judiciaries are vital to that effort. We also have programs in place on anti-corruption and improved respect for internationally recognized human rights. These efforts help to deepen the fragile roots of new democracies in Africa.

Fighting the HIV/AIDS pandemic ravaging the continent continues to be a priority of U.S. foreign policy. The President's Emergency Plan for AIDS Relief will focus on bringing life-extending HIV/AIDS prevention and treatment to some of the most afflicted and under-resourced countries in the world.

In the firm belief that Africa cannot successfully address conflict, poverty or health challenges without also addressing natural resource and environmental management, we are also working to protect Africa's natural environment. Africa is home to remarkable biological diversity and extensive natural resources that are important not only to Africa, but to us all. Ensuring that Africans are able to manage and protect this bounty is a policy priority.

We are also concerned about human resources in Africa and are working with G8 and other partners to prevent famine and hunger from further draining Africa's fragile human resources. We are the largest provider of humanitarian famine relief, while at the same time we work with African partners to better tap the potential of agriculture as a driver of growth and progress, and a source of increased food security.

Trade is an integral part of our strategy for fostering greater economic prosperity in sub-Saharan Africa and supports our efforts to improve governance, secure sustainable peace, encourage effective natural resource management, and protect and nurture the region's human capital. For Africa, trade is not only an exchange of goods and services, but also and exchange of ideas. As the continent becomes more integrated through trade in the global economy, Africans and their governments are learning to do business according to new rules—not only trade regulations, as codified in the WTO, but also labor law, environmental standards, and investment codes. These rules bring with them stability and predictability that is critical to economic growth.

But it is not only trade with the United States that is important to bringing economic prosperity and sustainable peace to Africa. Trade among Africans can bring prosperity by allowing them to use their comparative advantages more effectively. Trade among Africans is also important to sustainable peace. One day, the economic bonds that trade creates may become stronger than the ethnic divisiveness that has so often torn the continent apart.

THE ROLE OF AGOA

AGOA remains a centerpiece of our policy toward Africa. In the past three years, AGOA has had the very positive effect of increasing our two-way trade with Africa and in diversifying the range of products that are being traded.

AGOA's purpose is to help spur prosperity and development in African countries and bring them more fully into the global economy by giving them greater access to the U.S. market. And AGOA is working. AGOA is also about integrating Africa into the world's trading and finance networks. AGOA makes African countries more attractive, cost-effective sources for purchasing raw materials and finished products. By easing access to U.S. markets, the African Growth and Opportunity Act has had a major impact in Africa. AGOA has facilitated new investment, created jobs, and helped form commercial linkages that will foster new investment opportunities and increase prosperity in sub-Saharan Africa over the long term.

The very existence of AGOA has changed the attitude of many African firms and governments about doing business with the United States and, in fact, with each other. They see the commitment of the United States to deepening economic relations with Africa, and begin to realize that the United States can be a partner for them—they don't have to rely solely on their traditional, usually former colonial, trading partners such as France and Portugal.

But this isn't just altruism on the part of the United States. AGOA offers African countries one concrete benefit: duty- and quota-free access for most products from eligible countries. There are benefits available for American businesses and consumers as well. In many instances, new apparel factories have bought American equipment. U.S. businesses are also investing directly in sub-Saharan Africa. Our firms have made direct investments in textile and apparel production as well as manufacturing automobiles and parts. At year-end 2002, the U.S. investment position in sub-Saharan Africa stood at $12.1 billion, an 18 percent increase over the previous year. Investment in South Africa increased to $3.4 billion in 2002 from $3.1 in 2001. Our approach to AGOA, which includes dialogue on critical political and economic policy issues as well as AGOA's job and growth benefits, can help in our overall effort to make Africa more stable and prosperous—which will of course make Africa a stronger partner with the United States and a growing market for American goods and services.

AGOA also continues to facilitate regular trade and investment policy discussions through the United States-Sub-Saharan Africa Trade and Economic Cooperation Forums, our premier platform to articulate and advance trade and economic policy toward Africa. I have been fortunate to participate in all three held to date: in October 2001 in Washington, January 2003 in Mauritius, and December 2003 here again in Washington. In Mauritius, Ambassador Zoellick, other senior officials, and I were able to engage the Africans in open and productive conversations on biotech, Doha development agenda, transparency and anti-corruption principles. During the most recent forum, we spoke to the Africans about the importance of infrastructure development to trade, highlighted the role of trade in boosting economic growth and development, agreed on the importance of fighting corruption and increasing transparency, addressed the imperative of increased access to credit for the private sector, and encouraged African countries to explore ways to diversify their exports under AGOA, especially in the agriculture sector. African officials hailed the positive impact of AGOA on trade and economic growth and described supply-side constraints to increased trade. Parallel private sector and NGO forums have focused on the challenges that African countries face in their attempts to take full advantage of opportunities AGOA provides for their economy to grow.

TRADE AND DEVELOPMENT

AGOA is an important part of our efforts to use trade as well as aid as a means of development. Our common challenge is to launch together a new era of sustained growth and lasting development progress that benefits all people. Bringing all of the world's poor into an expanding circle of opportunity is vital to raising hope, improving peoples' lives, and creating a more secure, democratic, and prosperous world.

The Millennium Challenge Account (MCA), like AGOA, seeks to expand the circle of opportunity in developing nations that are committed to taking responsibility for their own economic growth, including nations in sub-Saharan Africa. Counties already taking advantage of AGOA and those that will benefit from the MCA share several traits. They are working to improve governance and rule of law. They are developing economic and social policies that support poverty alleviation. And they are allowing the private sector—not the government—to allocate scarce resources and serve as the engine of economic growth.

The MCA program is focused like a laser on promoting lasting development progress, starting with its focus on selecting partners with a proven track record in governing justly, investing in people, and promoting economic freedom. And already countries are reacting positively to the incentives that the MCA creates to accelerate and deepen efforts on reform, growth, and inclusion.

According to the World Bank and International Monetary Fund, trade is the single most important channel affecting growth for developing countries. The World Bank estimated that increasing poor countries' access to world export markets could generate an additional $1.5 trillion in income over 10 years, raise their annual gross domestic product growth rates by 0.5 percent, and lower the number of persons living in poverty by 300 million.

TRADE AND EMPLOYMENT EFFECTS OF AGOA

Let me provide a few examples that demonstrate how trade with sub-Saharan Africa has flourished under AGOA. Excluding energy products, African exports in 2003 under AGOA, including products covered by Generalized System of Preferences

(GSP) provisions, increased by 32 percent to just under $3 billion. Total AGOA exports increased 55 percent in 2003, to $14 billion, well over half of sub-Saharan Africa's overall exports to the United States. Behind oil, the biggest AGOA export has been apparel. Sub-Saharan Africa exported over $1.2 billion in apparel under AGOA in 2003, almost 50 percent more than in 2002. While this trade is only 2.1% of the U.S. imported apparel market, it has great importance to Africa. We have also seen exports of transportation equipment, minerals and metals, agricultural products, and chemicals all increase under AGOA. In addition to these direct exports to the United States, we are well aware too that AGOA helps to stimulate business within Africa to produce the goods that come to us via AGOA. In that sense, AGOA helps Africans recognize the tremendous benefits of opening up their markets to each other, as well as to the rest of the world.

These figures may seem small compared to our overall imports of $1.3 trillion in 2003, but this isn't trivial for Africa. The United States is sub-Saharan Africa's largest single-country market, the recipient of about one-quarter of sub-Saharan Africa's exports.

AGOA has also been successful in creating tens of thousands of jobs across the continent. Seven countries that keep track of AGOA job creation—Kenya, Lesotho, Malawi, Mauritius, Namibia, Swaziland, and South Africa—credit AGOA with providing employment to a total of more than 150,000 workers.

STIMULATING THE PRIVATE SECTOR

Trade and employment numbers are the most obvious way of measuring the impact of AGOA on Africa, but we shouldn't forget the non-quantifiable impacts, the most important being the sea change in relationships between African governments and the private sector. For example, most AGOA-eligible countries have established local AGOA committees, usually involving governments and businesses, and frequently our Embassies. The creation of U.S.-market oriented organizations such as these, and the sheer volume of news and commentary in African countries about AGOA, demonstrate a shift in thinking. Several countries have credited AGOA's textile visa system for helping them to upgrade and improve the operations of their customs service—a nice side benefit. Governments increasingly see their roles as facilitating rather than regulating trade. As we look at various AGOA success stories, with a few exceptions, the biggest beneficiaries have been countries of southern and eastern Africa. I suggest a couple of reasons for this.

Major winners from AGOA like Lesotho, Namibia, Mauritius, and South Africa have a combination of factors in their favor. They have reasonable commercial frameworks that allow businesses to set up and operate relatively freely, and governments that have encouraged investment and trade. A company won't invest if the obstacles are too great, or if it fears effective expropriation by unreasonable regulation or excessive corruption.

These countries are also for the most part relatively large markets—or are tied to larger markets such as the Southern Africa Customs Union, in the case of Lesotho, Swaziland, and Namibia. They have benefited from a relatively robust and sophisticated infrastructure and shipping connections in southern Africa. They have also been stable politically.

THE IMPORTANCE OF THE ELIGIBILITY CRITERIA

The countries that are benefiting from AGOA are making continual progress toward 1) promoting a market-based economy that protects private property rights, 2) enforcing the rule of law and fighting corruption, 3) eliminating barriers to trade and investment including the resolution of investment disputes, 4) implementing economic policies that will reduce poverty, and 5) protecting workers' rights and human rights. These are the AGOA eligibility criteria.

Countries such as Zimbabwe, which fail to meet these criteria, simply are not in a position to benefit. This year, President Bush found that two countries, the Central African Republic (CAR) and Eritrea, no longer met AGOA eligibility criteria. The March 2003 military coup d'état in CAR and a general deterioration in the human rights situation in Eritrea were critical factors in this determination.

Quite simply, AGOA benefits have largely accrued to those countries that have done the most to help themselves, encouraging investment and trade, maintaining political stability, and observing the rule of law. We have worked with other countries to try to improve the results of AGOA through our trade capacity building programs and will continue to do so. But ultimately, whether a country can tap all possible benefits from AGOA is largely in its own hands.

Our focus today, however, should not be on those countries that have failed to meet AGOA eligibility, but on those that have met the criteria and have experienced first-hand the importance of trade to economic development. The real success of AGOA is in how it helps Africans to help themselves.

EXAMPLES OF SUCCESS

AGOA is touching individual lives, including those courageous souls who are rebuilding their lives a decade after the horrific events in Rwanda of the early 1990s. In Rwanda, two women are developing a cottage industry that now employs 225 women to produce colorful baskets woven from sisal and fabric—called "peace baskets"—for export to the United States under AGOA. The U.S. business partners in this venture are successfully marketing these high-quality handicrafts.

I believe this effort exemplifies the kinds of activities you hoped would result when the Congress passed AGOA legislation in 2000 and AGOA II in 2002. The private sectors—in both the United States and Africa—have seized on this trading opportunity. The economic impact of this effort will be significant. These women will earn nearly twice Rwanda's average per capita income of $210 per year. It is small-scale efforts like this—multiplied across the continent of Africa—that will bring the large-scale economic development Africa so desperately needs.

Another example is Lesotho, a small, land-locked country of only 2 million. Lesotho's AGOA exports totaled nearly $373 million, a 17 percent increase over 2002. According to Lesotho's trade minister, AGOA has created over 25,000 new jobs so far, and over 20 plants have opened or expanded since 2000. New investment means those exports and job numbers are likely to increase. A $100 million denim-rolling mill will begin operation in April 2004, creating 2,000 new jobs when fully operational. Investors are also constructing a $40 million yarn-spinning mill that should be completed by the end of 2004. Four new apparel factories opened in Lesotho in 2003. One of them will employ 5,000 in a poor rural district.

South Africa, the largest and most diversified economy in Africa, has greatly benefited from AGOA. It exported over $1.7 billion under AGOA in 2003, a nearly 25 percent increase over 2002. In 2003, a U.S. jeans manufacturer began to export its South African product to the United States. With the added AGOA production, it increased payrolls in South Africa from 220 to 300. AGOA also kept jobs in the United States. This apparel production is providing a market for U.S. exports in the form of denim—all of the denim in these jeans comes from North Carolina. The thread used is also from North Carolina. These U.S. exports of cotton fabric to South Africa—which increased from $1 to $4 million from 2002 to 2003—are a vivid example of how AGOA can benefit not only African economies, but the U.S. economy as well.

Kenya saw its AGOA exports to the United States increase by nearly 43 percent in 2003, reaching $184 million. Kenya has estimated that 30,000 people hold jobs directly related to AGOA, and over 150,000 others have jobs indirectly linked to AGOA, in industries that support companies manufacturing for export under AGOA. Even manufacturers that aren't selling their products directly to the United States are benefiting—for example, half of Kenya's sisal production is used in dartboards that we import under AGOA. Kenya's export promotion agency estimates it has seen over $45 million in such "backward linkages" into Kenya's economy. Kenya is also taking small steps in value added products, exporting a small amount of processed coffee—$58,000 worth—under AGOA in 2003. Granted, this is a small amount, but the point is that AGOA can support agricultural processing in Africa and reduce the impact commodity price fluctuations have on the continent's economic health.

Uganda is another major coffee producer. Under AGOA, a new firm is processing coffee before exporting it to the United States—the first time Uganda has ever added value to its coffee exports. Thanks to this and other AGOA-inspired innovations, total AGOA exports were valued at $1.5 million in 2003, up from $32,000 in 2002.

And in Uganda's neighbor to the south, Tanzania, a new apparel factory employs over 650 local workers. A small handicraft company in Tanzania has boomed since AGOA. Before AGOA, it employed 25 people and exported $20,000 a year worth of arts and crafts to the United States. Now, it has increased its exports to the United States ten-fold and has created new jobs and provided income for 125 poor Tanzanians, mostly women.

Foreign companies have invested over $200 million in spinning operations in Namibia, creating some 20,000 jobs by 2005. AGOA is diversifying Namibia's economy beyond diamonds, minerals, and subsistence farming.

In Mali—last year Africa's largest cotton producer—a $12.5 million cotton-thread factory opened in February of this year. The modern facility is one of the few outside South Africa capable of producing quality thread for use in manufacturing apparel for export to the United States under AGOA. In fact, Mauritian investors who operate apparel factories at home and plan to use the thread there were among the investors. The factory—the first of its kind in Mali—created 200 new jobs. It is a noteworthy example of AGOA promoting investment within the continent.

LOOKING TO THE FUTURE

Now we are considering the future of AGOA, keeping in mind President Bush's commitment to see AGOA extended beyond 2008. Mr. Chairman, I applaud your initiative in introducing legislation to extend AGOA through 2015. Clearly, with the current global system of quotas on textile and apparel expiring on January 1, 2005, African producers will have to compete more effectively. But with the benefits of AGOA that I've described here, they can rise to this challenge, and I am hopeful that they will thrive beyond 2005.

I am very pleased at the positive effects of AGOA these past three years. It is helping to create a new dynamic in Africa, to deepen the economic ties between those eligible countries and the United States. And it has given Africans new hope. Thank you.

The CHAIRMAN. Thank you very much, Secretary Larson.

I would like to call now upon Ms. Liser for her testimony.

STATEMENT OF FLORIZELLE B. LISER, ASSISTANT UNITED STATES TRADE REPRESENTATIVE FOR AFRICA, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Ms. LISER. Thank you very much, Mr. Chairman. I am pleased that you have invited me to testify on this very important issue of AGOA and I just want to thank you and on behalf of Ambassador Zoellick and Deputy USTR Shiner also thank you for the leadership that you have shown over the years in terms of improving the trade and economic relationship between the United States and the countries of sub-Saharan Africa. We have noted it and we appreciate it as it continues from AGOA I to II to III.

I would like to touch briefly on developments since the committee's last hearing on AGOA in June 2003 and describe some elements that the administration hopes to see addressed in the legislation now being considered to amend AGOA, including S. 1900, the United States-Africa Partnership Act of 2003.

Mr. Chairman, AGOA's achievements continue to mount. In 2003, two-way U.S. trade with sub-Saharan Africa increased 36 percent over 2002 to just under $33 billion. Particularly impressive is the 32 percent growth in non-oil AGOA imports, which included value-added products such as apparel, manufactured products, and processed agricultural products. This is important because many people often focus on the overall numbers, but it is the growth in the non-oil imports that we should keep our eyes on. This is improving rapidly.

Africa's share of the U.S. market in each of the sectors mentioned, such as apparel, is still very, very small. For example, in apparel, it is just 2.1 percent of the U.S. apparel import market, but these relatively small gains in African access to the huge U.S. market translate into substantial benefits in economic development in Africa, a region where over half the population subsists on less than $1 a day.

AGOA is also, though, benefiting U.S. exporters, both by creating a business environment more conducive to U.S. exports and by generating new exports related to AGOA production. U.S. exports to sub-Saharan Africa increased by 15 percent in 2003.

There are currently 37 sub-Saharan African countries eligible for AGOA, and on December 31, 2003, we added one new country, Angola, to AGOA and discontinued the AGOA beneficiary status of two others, the Central African Republic and Eritrea. This was the first year that previously eligible countries have been removed from AGOA beneficiary status. The President's action underscored the seriousness with which this administration views the eligibility criteria.

Last June, the United States began free trade agreement negotiations with the five countries of the Southern African Customs Union. This FTA, the first ever with any country in sub-Saharan Africa and the first time we will be doing an FTA with a least-developed country, Lesotho, builds on the success that these five countries have achieved under AGOA and marks a maturation of our trade relationship with these countries, moving from one-way preferences to a full two-way partnership.

I know that my colleague, Connie Newman, will describe in greater detail the fact that the Regional Competitiveness Hubs, which were established in Africa at the direction of President Bush, have now completed more than a year of work, assisting governments and businesses and many small businesses and individuals in the region to address trade-related challenges.

So the issue now is sustaining and building on AGOA's success. AGOA has been an undeniable success. However, much remains to be done if we hope to sustain these achievements over the long term and help African countries to reach their full potential under AGOA.

Mr. Chairman, your introduction last November of S. 1900, the United States-Africa Partnership Act of 2003, has helped to focus attention on measures needed to preserve and build on AGOA's successes, and we thank you. Similar legislation, as you know, is also being considered in the House of Representatives. The administration has identified several elements that it hopes to see reflected in this legislation.

First, extending AGOA's authorization. President Bush is committed to working with Congress to extend AGOA beyond 2008. Extension of AGOA would increase investor confidence and demonstrate the U.S. Government's long-term commitment to increasing African growth and development through trade.

Second, extension of AGOA's Special Third Country Fabric Provision. In the eyes of many AGOA stakeholders, the extension of this provision, which expires at the end of September, is the most urgent item for congressional action on AGOA. Under this provision, less-developed country AGOA beneficiaries are permitted to use fabric from any source in qualifying AGOA apparel. In fiscal year 2003, 84 percent of AGOA apparel imports fell under this provision, and the uncertainty, unfortunately, about the future of the provision is already having a negative impact on AGOA.

As Ambassador Zoellick said in testimony a few weeks ago, we recognize that this issue of third country fabric and the provisions and its extension are an important issue to AGOA's continued success. We want to work with Congress to find the right balance between the short-term interests of preserving Africa's AGOA apparel industry and the longer-term objective of developing an African textile industry, while at the same time being mindful of continuing incentives for African sourcing of U.S. textile components.

The third thing that we would like to see or element we would like to see addressed in AGOA legislation is to provide greater certainty about rules governing AGOA-eligible apparel. Congress has periodically considered technical corrections to the regulations governing the rules of origin for AGOA apparel. As the committee considers action on S. 1900, it may be useful to consider some additional adjustments to AGOA to address other technical corrections.

Fourth, we would like to see support for the President's request for AGOA-related trade capacity building assistance. Many African countries that are eligible for AGOA remain unable to take advantage of AGOA both because of supply side constraints, such as inadequate infrastructure, and other factors that can be addressed via technical assistance. We hope that Congress will support the administration's fiscal year 2005 budget request for trade capacity building programs in Africa, especially those aimed at helping African countries to make use of AGOA.

Finally, we would like to see that there is a promotion of greater African cooperation in multilateral trade negotiations. Some African countries have opposed tariff reduction efforts in the WTO because of their concerns about erosion of preferences and potential revenue losses. Congress should consider including language in AGOA legislation calling on sub-Saharan African countries to support the larger objective of reducing trade barriers worldwide, even as they continue to benefit from preference programs such as AGOA. And that is the point of AGOA III.

Mr. Chairman, these are some of the elements that we believe deserve congressional consideration in legislation amending AGOA. We are ready and willing to work with the Congress to develop that legislation which is practical, passable, and that will, above all, permit us to build on AGOA's many achievements.

I welcome the opportunity to respond to any questions that you might have. Thank you.

[The prepared statement of Ms. Liser follows:]

Prepared Statement of Florizelle B. Liser

Mr. Chairman, Senator Biden, and Members of the Committee, thank you for inviting me to appear again before your Committee to discuss the African Growth and Opportunity Act (AGOA). It was my pleasure to participate in the Committee's last hearing on AGOA, in June 2003. Mr. Chairman, the Administration appreciates your longstanding leadership on AGOA and the special attention that this Committee has given to our efforts to strengthen the U.S. trade and economic relationship with sub-Saharan African countries.

In my testimony today, I would like to update you on developments related to AGOA since the Committee's June 2003 hearing and also describe some elements that the Administration hopes to see addressed in legislation now being considered to amend AGOA, including S. 1900, the United States-Africa Partnership Act of 2003. We look forward to working with you and others on this Committee, along with Finance Committee Chairman Grassley, on such legislation this year.

AGOA ACHIEVEMENTS CONTINUE TO MOUNT

In my previous testimony before this Committee, I described how AGOA, since its enactment in May 2000, has already made progress toward many of the objectives set for it by Congress. It has boosted U.S.-Africa trade, supported African economic and political reforms, and strengthened our dialogue with African countries on trade and economic development issues. I am pleased to report, nine months later, that we continue to witness progress in each of those areas. Here are a few highlights:

Two-way trade is up, with benefits on both sides of the Atlantic. In 2003, two-way trade between the United States and sub-Saharan Africa increased 36 percent over 2002, to just under $33 billion. The increased market access provided by AGOA helped to boost U.S. imports from Africa by 43 percent to $25.6 billion, with over half of this trade covered under AGOA and its GSP provisions. Particularly impressive is the 32 percent growth in non-oil AGOA imports, which include value-added products such as apparel, manufactured goods, and processed agricultural products. Production and export of these goods has a much greater impact on jobs-creation and sustainable economic growth than does export of basic commodities. In 2003, apparel imports from sub-Saharan Africa were up 50 percent; transportation equipment imports (mostly automobiles from South Africa) were up 34 percent; and AGOA agricultural imports were up 13 percent. Africa's share of the U.S. market in each of these areas remains small—for example, constituting just 2.1 percent of the U.S. apparel import market. But these relatively small gains in African access to the U.S. market translate on the African side into substantial benefits and economic development in a region that has been on the margins of the global economy and where over half the population subsists on less than a dollar a day.

AGOA is also benefiting U.S. exporters, both by creating a business environment more conducive to U.S. exports and by generating new exports related to AGOA production. U.S. exports to sub-Saharan Africa increased by 15 percent in 2003, led by increased sales of aircraft, vehicles, and computer and telecommunications equipment. We are also aware of several U.S. businesses that are providing inputs to AGOA apparel producers in Mauritius, South Africa, and Ghana. So AGOA is also having a positive impact here in the United States.

AGOA Forum Enhances U.S.-African Dialogue. In December 2003, trade ministers and senior-level officials from over 30 AGOA-eligible countries met with President Bush and top Administration officials in Washington, DC during the Third Annual U.S.-Sub-Saharan African Trade and Economic Cooperation Forum. This event, also known as "the AGOA Forum," provides an opportunity for senior African and American officials to discuss ways to strengthen U.S.-African trade and economic relations. The President took the opportunity to reiterate his commitment to AGOA and to encourage African support for open markets and multilateral trade liberalization. Ambassador Zoellick participated in both the government-to-government and the private sector meetings. All three of us on this panel participated in the Forum, as did National Security Adviser Rice, Secretary Powell, Secretary Evans, Secretary Snow, Secretary Veneman, USAID Administrator Natsios, U.S. Global AIDS Coordinator Tobias, and U.S. Trade and Development Agency Administrator Askey. There was also an opportunity for the African ministers to meet with some Members of Congress to discuss challenges related to AGOA implementation and prospects for legislation to amend AGOA.

President Changes List of Beneficiary Countries. On December 31, 2003, President Bush added one new country—Angola—to the list of AGOA beneficiary countries and discontinued the AGOA beneficiary status of two others—the Central African Republic and Eritrea. The President's action followed the annual interagency AGOA eligibility review, led by USTR. The review of Eritrea cited a serious deterioration in the human rights situation and a lack of progress toward rule of law and political pluralism. The March 2003 overthrow of the elected government of the Central African Republic was a major factor in the decision to terminate that country's AGOA beneficiary status. This was the first year that previously eligible countries have been removed from AGOA beneficiary status. The President's action underscored the seriousness with which the Administration views the eligibility criteria.

Free Trade Agreement Launched with SACU. In June 2003, the United States began free trade agreement negotiations with the five countries of the Southern African Customs Union (SACU): Botswana, Lesotho, Namibia, Swaziland, and South Africa. In pursuing this FTA, the Administration is responding to Congress' direction, as expressed in AGOA, to pursue free trade negotiations with interested sub-Saharan African countries as a catalyst for increasing trade and investment between the United States and Africa. This FTA—the first ever with any country in sub-Saharan Africa—builds on the success that these five countries have already achieved under AGOA and marks a maturation of our trade relationship with these countries, moving from one-way preferences to two-way partnership. We have held four rounds of negotiations so far and expect to intensify the negotiations over the coming months in an effort to conclude the agreement by the end of 2004. Trade capacity building is a fundamental element of bilateral cooperation in support of this FTA. U.S. and SACU officials have established a Cooperative Group on Trade Capacity Building that meets on the side of the negotiations to identify trade capacity building needs arising out of the FTA discussions and to find ways to address these needs.

Trade Hubs Hitting Their Stride. As my USAID colleague, Connie Newman, describes in greater detail, the three Regional Competitiveness Hubs established in Africa at the direction of President Bush have now completed a year or more of work assisting governments and businesses in the region to address trade-related challenges and to develop and diversify their AGOA trade. In response to African requests, the hubs are also devoting greater attention to helping African countries meet sanitary and phytosanitary measures to facilitate greater African agricultural exports under AGOA. Many other U.S. agencies are also involved in AGOA-related technical assistance, which is critical if Africans are to take full advantage of AGOA.

SUSTAINING AND BUILDING ON AGOA'S SUCCESS

AGOA has been an undeniable success. Two-way trade is up. New investment is flowing into Africa. And new economic opportunities have opened for many AGOA-eligible countries. But much remains to be done if we hope to sustain these achievements over the long-term and help African countries to reach their full potential under AGOA.

For example, we need to do more to broaden participation in AGOA and to help beneficiary countries to expand and diversify their exports under AGOA. Many AGOA-eligible countries have yet to export any significant amount of goods under AGOA. Others are doing well on apparel but have not been able to diversify into any of the hundreds of other products for which duty-free market access is provided under AGOA.

Mr. Chairman, we appreciate the leadership that you have brought to addressing the challenges related to AGOA's full implementation. Your introduction last November of S. 1900—The United States-Africa Partnership Act of 2003—has helped to focus attention on measures needed to preserve and build on AGOA's successes. We are grateful for the opportunity to provide our views on this topic. As you know, similar legislation is being considered in the House of Representatives.

The Administration has identified several elements that it hopes to see reflected in this legislation. I would note that many of these elements are addressed in some way in S. 1900.

Extend AGOA's Authorization. When President Bush met with senior African officials during the AGOA Forum in December 2003, he reiterated his commitment to work with Congress to extend AGOA beyond its current expiration in 2008. Extension of the AGOA program would increase investor confidence and demonstrate the United States Government's long-term commitment to increasing African growth and development through trade. In order to have the intended effect, the extension should be for a sufficient number of years to provide predictability and spur needed investment.

Extension of AGOA's Special Third-Country Fabric Provision. In the eyes of many AGOA stakeholders, the extension of the third-party fabric provision, which is set to expire on September 30, 2004, is the most urgent item for Congressional action on AGOA. Under this provision, less developed country AGOA beneficiaries are permitted to use fabric from any source in qualifying AGOA apparel. In FY2003, 84 percent of the $1.2 billion in AGOA apparel imports fell under this provision. Although sub-Saharan Africa's share of the U.S. apparel market is just 2.1 percent, this rule has contributed to AGOA's early success by allowing sub-Saharan African countries to develop their apparel industries.

The original rationale for the 2004 expiration of the third-country fabric provision was to give African apparel producers a boost while at the same time providing an incentive for development of an African textile industry. Absent a regional textile industry, African apparel production is unlikely to be competitive in the long-term. While AGOA has indeed sparked investment in the fledgling African textile industry, more time is needed for this industry to develop its capacity and for the African apparel industry to become more competitive with Asian and other producers. This is particularly important with the fast-approaching January 2005 end of the WTO Agreement on Textiles and Clothing. Many analysts have predicted that Africa will lose jobs and market share in a post-quota world.

The uncertainty about the future of the provision is already having a negative impact on AGOA as the Administration's primary initiative to boost African economic growth and development. We understand that several major U.S. buyers have already shifted orders to Asia in anticipation of the September 30 expiration date.

As Ambassador Zoellick said in testimony a few weeks ago, we recognize that this is an important issue to AGOA's continued success. As Congress seeks to address the third-party fabric provision in AGOA legislation, we want to work with you to balance the short-term interest of preserving Africa's AGOA apparel industry and the longer-term objective of developing an African textile industry, while at the same time being mindful of continuing incentives for African sourcing of U.S. textile components.

Provide greater certainty about rules governing AGOA-eligible apparel. Since the enactment of AGOA in 2000, Congress has periodically considered technical corrections to the regulations governing the rules of origin for AGOA apparel. For example, the "AGOA 2" legislation that was passed as part of the Trade Act of 2002 made some technical corrections. As the Committee considers action on S. 1900, it may be useful to consider some additional adjustments to AGOA to address other technical corrections.

Support the President's request for AGOA-related trade capacity building assistance. Many African countries remain unable to take advantage of the broad market access provided by AGOA, both because of supply-side constraints, such as inadequate infrastructure, and because they do not currently produce many exportable, value-added products. As Connie Newman describes in her testimony, USAID and other agencies are addressing these and other AGOA-related challenges through the Regional Competitiveness Hubs and other initiatives. This type of assistance is of great value to beneficiary countries. We hope, therefore, that Congress will support the Administration's FY2005 budget request for trade capacity building programs in Africa, especially those aimed at helping African countries to expand and diversify their exports under AGOA.

Promote greater African cooperation in multilateral trade negotiations. In that AGOA was developed, debated and enacted prior to the launch of the WTO's Doha Development Agenda in 2001, there is no reference in the Act to the importance for sub-Saharan African and other developing countries of multilateral trade liberalization. In fact, some African countries have opposed tariff reduction efforts in the WTO because of concerns about "erosion of preferences" and potential revenue losses. (The World Bank and the IMF are working with African and other developing countries to address these concerns.) Congress should consider including language in AGOA legislation calling on sub-Saharan African countries to support the larger objective of reducing trade barriers worldwide, even as they continue to benefit from preference programs such as AGOA.

Mr. Chairman, these are some of the elements that we believe deserve Congressional consideration in legislation amending AGOA. We are ready and willing to work with the Congress to develop legislation that is practical, passable, and that will permit us to build on AGOA's many achievements. Thank you.

The CHAIRMAN. Thank you very much, Ms. Liser, for that testimony. It is great to have you before the committee again.

I welcome now Ms. Newman, who is an old friend of the committee and a person who has given distinguished public service to our country in many capacities. Good to have you, and please proceed.

STATEMENT OF HON. CONSTANCE BERRY NEWMAN, ASSISTANT ADMINISTRATOR FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. NEWMAN. Thank you very much, Mr. Chairman. I am pleased to appear before you to discuss how USAID supports the implementation of AGOA, and I want to make four points.

First of all, trade enhances economic growth and economic growth reduces poverty.

Second, AGOA serves as the focal point of USAID's strategy to build trade capacity in Africa.

The third, USAID is providing technical assistance to a number of programs, most notably the Presidential trade initiative that I will talk about in just a few moments.

And fourth, USAID needs to continue to provide technical assistance because we are not there yet.

Just a background. The pace of economic growth and development in Africa is of paramount concern to the United States. What I think we all have to do when we talk about AGOA is to recognize the context within which it will or will not be successful. So it is important for us to remember the various challenges that exist and take those into consideration in providing technical assistance.

For example, we do need to ensure that there is transparency and accountability of the various governments with which we work. There is a need to build on the human capacity, and there is a need for better infrastructure. I have in the testimony a list of the challenges, my point being, though, that we cannot think about AGOA separate and apart from the other development needs because AGOA will not be successful.

In addition to those challenges that I have mentioned earlier, there are a number of obstacles that are directly related to AGOA. There is inadequate international market access. There is a limited capacity to participate in multilateral negotiations. At the industry and firm level, there is poor information on trade prospects.

So for me it is not enough just to outline the problems. Your question probably is, so what are you doing about it?

With the various resources, USAID has been very much involved in providing technical assistance. As was mentioned earlier, in the AGOA forum in 2001, President Bush announced a trade initiative and that initiative called for the structuring of three trade hubs, one in each of the major regions, that would provide technical assistance. It does more than provide assistance in AGOA.

These trade hubs—which by the way, deserve the praise of our staff because they got them set up. They were pushed, but they got them set up and running in a year. There is technical assistance there for individuals, for individual business people. There is technical assistance for governments. There is technical assistance for trade associations because there is a recognition that there is a need at every level for assistance in order for AGOA to be successful.

If one were to go onto the Internet sites for each of the hubs, one would be able to see the variety of activities that are available, the tools that are there for individuals and for governments. It is very rewarding to us that in each of the regions there have been a series of seminars for government representatives and for businesses on how to meet the AGOA requirements.

And we have successes. My colleagues have talked about many of them. I think we all like to talk about Lesotho because Lesotho has, I think, taken AGOA to the heights. But there are successes in many of the other countries. I have mentioned them in the testimony. I am sure that you are anxious to get to questions, so I will not go through that long list of successes that we are all very proud of.

But what I will say is that AGOA provides a special opportunity to achieve one of the administration's key development objectives of building a strong trading partnership between the United States and sub-Saharan Africa. Under AGOA and through President Bush's trade initiative, the opportunities for trade will expand, bringing an increase in prosperity and a vibrant economic climate to Africa and greater opportunities for American exporters and investors. USAID is at the forefront of the United States Government's commitment to better the economic landscape in reducing poverty, and we look forward to the continuing interest and advice from you and the Congress in general on our efforts to achieve the objectives of AGOA.

Thank you.

[The prepared statement of Ms. Newman follows:]

PREPARED STATEMENT OF HON. CONSTANCE BERRY NEWMAN

Mr. Chairman, Senator Biden, and Members of the Committee, I am pleased to appear before you to discuss how USAID supports the implementation of the bipartisan direction of Congress to support economic development in sub-Saharan Africa through the African Growth and Opportunity Act (AGOA).

In my testimony, I would like to emphasize four key points:

- Trade enhances economic growth, and economic growth reduces poverty.
- AGOA serves as the focal point of USAID's strategy to build trade capacity in Africa.
- USAID is providing technical assistance through a number of programs, most notably the Presidential Trade for African Development and Enterprise (TRADE) Initiative, to implement AGOA and to help make it a success.
- USAID needs to continue to provide technical assistance to help expand the pool of AGOA-eligible countries.

BACKGROUND: THE DEVELOPMENT CHALLENGE

The pace of economic growth and development in Africa is of paramount concern to the United States. Sub-Saharan Africa (SSA) continues to face enormous development challenges. It remains the world's poorest region, with half of its population of 690 million living on less that $1 per day. Of the 32 countries around the world with the lowest levels of human development, 24 are in sub-Saharan Africa. While economic growth trends in many countries are positive, with an overall regional population growth of 2.1% a year, achieving the Millennium Internationally Agreed Development Goal of reducing poverty levels by 50% by 2015 will require almost a doubling of current rates to over 6% a year.

Increasing economic growth will require major commitments on the part of African governments, civil society and the international community across a broad spectrum. Numerous challenges must be addressed: improving the transparency and accountability of government; increasing agricultural productivity; preserving the richness and diversity of Africa's natural resources; broadening the economic base; improving the competitiveness of African products; building human capacity at all levels; expanding information and communication technology networks; improving the enabling environment for increased trade and investment, including building basic infrastructure; curbing the spread of HIV/AIDS, malaria, tuberculosis and other infectious diseases; and increasing African capacity to deal effectively with natural disasters.

DEVELOPMENT AND TRADE ARE COMPLEMENTARY

There is a growing appreciation of the key role trade can play in increasing economic growth and reducing poverty in SSA. Rapidly growing global markets will continue to create opportunities for the people of Africa to trade, provided they have the capacity.

Integrating SSA into the world economy has become a principal objective of the U.S. Government. In addition, the G-8 with strong support from the U.S., now places a high priority on the trade-development linkage. With the links between trade-generated economic growth and sustainable development becoming clearer, many SSA countries now actively seek to enhance their participation in the global economy. They face, however, a common set of obstacles:

- Inadequate international market access, limited capacity to participate in multilateral negotiations, and limited abilities to comply with international trade agreements adversely affect their ability to compete in global markets;
- At the national level, infrastructure, institutional, and policy constraints prevent many from taking advantage of trade and investment opportunities; and
- At the industry and firm level, poor information on trade prospects, inability to meet international standards, cumbersome regulations, capital and technology constraints, limited access to credit, and the lack of insurance and trade finance limit production and trade opportunities.

U.S. trade policy, with increasing USAID engagement and support, seeks to mainstream trade into the economic development agenda for SSA. This means that trade and development policies are complementary and reinforcing. Together, these policies and programs assist SSA countries in expanding their capacity to implement trade agreements and to use trade as a tool for economic growth and poverty reduction.

The African Growth and Opportunity Act focuses on this specific challenge—encouraging trade as a way to further promote economic growth in sub-Saharan Africa. AGOA provides trade preferences to countries that are making progress in economic, legal, and human rights reforms. However, AGOA also provides a framework for technical assistance to help countries take advantage of the trade preferences. In my travels, I have met with government officials throughout Africa who ask for our help in using AGOA's preferences to build their countries' economic and physical infrastructures for trade. USAID's activities directly address these technical assistance needs.

Sub-Saharan Africa has enormous potential to become a more important strong player in the international economy, yet the region accounts for just 2% of world trade. Although a number of countries in the region have begun to take measures to increase their ability to trade, trade is still hampered by systemic constraints such as high transaction costs, capacity limitations, and poor infrastructure. If Africa is to fulfill its potential, these constraints must be lifted, and AGOA is one of the principal means to do it.

Transforming the varied economies in Africa into strong participants in the global economy will take time. Through our Missions, we are working with countries to look at promising opportunities for significant increases in regional and international trade. Ultimately, national wealth must be built enterprise by enterprise, sector by sector.

USAID'S ROLE IN AGOA IMPLEMENTATION

USAID is responding to the challenge of increasing trade and investment in Africa and supporting AGOA through several programs, especially the Trade for African Development and Enterprise (TRADE) Initiative. President Bush announced this Presidential Initiative in October 2001 at the first annual AGOA Forum. He stated, "The trade program will establish regional Hubs for global competitiveness that will help African businesses take advantage of AGOA, to sell more of their products on the global markets."

TRADE is a five-year initiative that promotes U.S.-African business linkages and business development, expands the role of trade in poverty reduction strategies, and builds African capacities for more sophisticated trade analysis. It also leads to improvements in the provision of public services supporting trade (such as customs procedures), strengthens the enabling environment for African business, and enables African business to take even better advantage of opportunities under AGOA.

TRADE operates primarily through three Hubs located in Ghana, Botswana, and Kenya. USAID works collaboratively with other USG agencies such as the Department of Commerce, the Office of the U.S. Trade Representative, the Department of Agriculture, and the Trade and Development Agency in designing and implementing the programs funded by the Hubs.

A wide range of activities is underway in each of the Hubs to support AGOA, including—promoting exports of agricultural commodities to the U.S., establishing business contacts and generating business opportunities for hand- and machine-loomed textiles and apparel, and removing infrastructure constraints that hamper trade.

Some of the major TRADE activities are as follows:

USAID is helping to make products more marketable in the global economy by eliminating physical and policy barriers to trade.

> USAID's regional mission in East Africa is supporting efforts to harmonize customs and trade facilitation policies such as establishing a "one-stop" border post at the Malaba/Torero border between Kenya and Uganda;
>
> Our regional mission in Southern Africa is working to identify and remove barriers to trade in the Trans-Kalahari Highway and Dar es Salaam transportation corridor; our East Africa office is doing the same in the Northern Corridor in Kenya and Uganda. Our West Africa mission is working with two regional intergovernmental organizations to set up observatories that track and report on corrupt practices on key interstate trucking routes.

Our West Africa office is also assisting in developing a "Road Tracker" system to trace the movement of goods between countries in the Tema-Ouagdougou-Bamako/Niamey corridor.

Each Hub is working with counterpart organizations such as the Central African Power Pool Secretariat, the Southern African Power Pool, and the West African Power Pool to improve the availability of and lower the cost of power supplies.

USAID is helping identify agricultural commodities with the highest export potential to the United States for AGOA participants to build markets in their region and the world.

In Zambia, Pest Risk Assessments (PRAs) have been conducted for baby corn, baby carrots, courgettes, and baby squash. Discussions between the USG and the private sector are centered on identifying U.S. market outlets for these products.

In South Africa, PRAs for apricots, cherries, plumcots, and litchis have been drafted and are under review by USDA's Animal and Plant Health Inspection Service (APHIS).

In Namibia, a PRA for grapes has been completed and is under review by APHIS.

In East Africa, we are working with private and public sector officials to improve AGOA implementation and business linkages. Programs have been conducted in Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Tanzania, and Uganda.

In Lesotho, 41 factories produce apparel, and two entities specialize in embroidery. Two of the largest producers have made investments that will enable them to source fabric regionally.

USAID is providing funding for the USDA to place APHIS advisors at the Hubs to coordinate PRAs and to facilitate the export development of markets for of agricultural commodities. USAID and USDA are working to place an advisor in each Hub in the spring of 2004.

USAID is establishing AGOA resource centers to provide technical assistance on AGOA legislation and to build relationships with U.S. businesses. These activities focus on marketing apparel, textiles, and crafts.

In West Africa, we have expanded our AGOA Resource Center Network from nine to eleven centers, and we will add two more this year. In response to the poor level of Internet coverage in the region, we have also developed a comprehensive compendium of AGOA information on a CD-Rom and distributed widely.

In Southern Africa, we are sponsoring Awareness Seminars on the benefits of AGOA and on export opportunities in Southern Africa. Seminars have been conducted in Malawi, Zambia, Namibia, Swaziland, Botswana, and Tanzania.

With recent accession of Angola as an AGOA-eligible country, the Southern Africa Hub provided an extensive AGOA awareness seminar for 60 public and private sector representatives in Luanda, Angola.

The Southern Africa Hub has provided Grouping Nine marketing seminars for over 300 small handicraft enterprises in Botswana, Lesotho, Swaziland, Namibia, Malawi and Zambia.

In East Africa, we are working with private and public sector officials to improve AGOA implementation and business linkages. Programs have been conducted in Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Tanzania, and Uganda.

USAID is improving opportunities for exports of textiles and apparel. In Malawi, AGOA exports (excluding Generalized System of [C4]Preferences) continued to grow in 2003, and now exceed $58 million. The number of jobs linked to AGOA grew slightly in 2003 to 7,500 workers. In a promising development, Malawi's primary textile producer was privatized. Revitalization of the producer under new ownership will link garment-makers to Malawi's cotton-growing and ginning sectors, thus deepening Malawi's AGOA supply chain.

In Lesotho, 41 factories produce apparel, and two entities specialize in embroidery. Two of the largest producers have made investments that will enable them to source fabric regionally. The first denim mill in Lesotho is due to start next month and will employ 1,500 people at the outset. All products made in

Lesotho are destined for the mid-range to low-end chain stores in the Unites States.

In Mauritius, 49 companies are registered for the export of apparel to the United States under AGOA. These companies employ about 50,000 people and export a wide variety of apparel goods to the U.S. There are currently five active spinning mill projects at various stages of realization in Mauritius.

In Botswana, six of the eight apparel producers have exported to the U.S. under AGOA. The production force of the eight companies is 5,463 workers. Trade figures indicate that Botswana significantly increased its exports to the U.S., from $4.58 million in 2002 to $6.32 million in 2003.

In South Africa, AGOA exports increased 26% to $998 million in 2003 from $789 million in 2002. Levi Strauss SA began exporting jeans to the U.S. in August 2003 from its new production facility and increased its payroll from 220 to 300 over the past year.

Again, in South Africa, the South Africa International Business Linkage (SAIBL) program worked with 32 small- and medium-scale enterprises this past year to assist them with AGOA exports to the U.S.; the value of these transactions is estimated at $8.3 million.

In Tanzania, a new factory opened recently as a direct result of AGOA and the Tanzania government's export processing zone policies. It is hiring 700 workers and expects to be exporting over $1 million by the end of 2004.

Zambia exported $510,000 in duty free goods to the U.S. under AGOA in 2003. AGOA induced regional exports of yarn, however, are estimated to exceed $8 million.

In Namibia, there are thousands of new jobs and unprecedented levels of new apparel exports. Ramatex Namibia is the highest-profile AGOA-related activity in the country with nearly $200 million invested in its vertically integrated textile and garment manufacturing plant. Between Ramatex and Rhino Garments, an estimated 10,000 new jobs have been created.

In Mozambique, two apparel companies exported to the U.S. under AGOA in 2003, though one company has since closed operations.

AGOA encourages the establishment of private sector linkages between U.S. and African businesses.

USAID has provided funding to the Corporate Council on Africa (CCA) to promote international business linkages. The linkage programs assist African companies to prepare business plans, to achieve International Standards Organization certification, to participate in U.S.-led trade delegations, to attend trade shows in the United States, and to identify public and private sector trade financing. The linkage programs also assist U.S. firms by identifying trade and investment opportunities in Africa, by steering U.S. firms to appropriate government and private sector contacts, and by identifying sources of financing.

The Southern African International Business Linkage program has recently increased its scope with a two-year pilot program to Botswana, Tanzania, and Zambia.

USAID's sponsorship of the CCA's investment in the West African International Business Linkage program resulted in the completion of more than 200 transactions and two joint ventures with a total value of approximately $52 million.

The International Executive Service Corps (IESC) launched a program called AGOA Linkages in the Common Market for Eastern and Southern Africa. This program is designed to increase awareness of AGOA among key stakeholders within AGOA-eligible states and to stimulate exports of products to the U.S.

CONCLUSION

AGOA provides a special opportunity to achieve one of the Administration's key development objectives of building a strong trading partnership between the United States and the countries in sub-Saharan Africa. Under AGOA and through President Bush's TRADE Initiative, the opportunities for trade will expand, bringing an increase in prosperity and a vibrant economic climate to Africa and greater opportunities for American exporters and investors. USAID is at the forefront of the USG's commitment to better the economic landscape in helping to reduce poverty. We look forward to the continuing interest and advice from Congress on our efforts to achieve the objectives of AGOA.

Mr. Chairman, Senator Biden, and Members of the Committee, thank you for providing me with the opportunity to speak before you today. I look forward to answering any questions you may have.

The CHAIRMAN. Thank you very much, Ms. Newman.

Let me just start with a couple of questions that are stimulated by your testimony. How would you describe the activity at the hubs? You mentioned that in a fairly short period of time this initiative has been achieved. In your testimony, you enumerate a number of workshops and other meetings in which various countries or, more particularly, companies or individuals have taken part. Please describe what a hub looks like, how the word gets out that you are there and that people are inclined to find your Web site, to find your communications, to find you in those hubs.

Ms. NEWMAN. Well, some of the hub is physical, so there is an office. It is not a grand office, but there is an office. Some of the hub is the Internet site, and those are getting better by the day. There is general information country by country. There is information on activities. There is detailed information on AGOA and links. So you have the office. You have the Internet site. And then what you have are consultants traveling around the countries in the regions. You can go on the site and find out where they are and what the subject matter might be. The subject matter might be customs harmonization, and then there would be special information going out to governments and to regional organizations that would have an interest in customs harmonization.

What does a hub look like? It looks like an office, an Internet site, a series of meetings, seminars, and tool kits because there is a recognition that governments and individuals and associations all need information. My colleagues have made it sound simple, but there is some pretty complicated information about AGOA and how to meet the standards. These kits are helping people understand that.

The final thing I will say is that the Animal and Pest Control Inspection requirements have been a barrier to many of the African countries bringing horticulture into the United States. The Department of Agriculture, funded by USAID, is now placing inspectors in each of the sites to help explain what many people in this country do not understand, how to get through that process because that is very important to be successful.

The CHAIRMAN. I appreciate that response. It occurs to me that a good number of citizens of African countries may at some point hear of AGOA or the idea in some form, but all of the trade situations that we have, whether it is the customs, or the inspections that you just mentioned, are rather daunting if you are in the process of setting up from scratch a new business, hiring a few people, trying to figure out how you might find your place in the world outside of your neighborhood or even your country. The need for hands-on work is imperative.

It occurs to me we have from to time to time, just as we have hearings on AGOA, hearings on public diplomacy, and we are trying to think how the message of idealism and outreach in our country reaches others so that, as a matter of fact, they want to work with us, and they find some vitality in that relationship. This is why I am curious about the hubs. They are a part of our overall diplomacy.

I want to follow with Secretary Larson on the question of the ties with our embassies, our Ambassadors, and others who are offering technical services there. I do so because each time we have a confirmation hearing for a candidate to be United States Ambassador to an African country, I or others ask, "What do you know about AGOA? Have you done your homework, in essence? What kind of activity is going on, and what kind of activity do you believe that you as Ambassador, with your talented staff, might be able to stimulate? You understand the ethos of the program and the general foreign policy aspects that have preceded your being nominated to be Ambassador to the country." Most of the candidates respond fairly comprehensively. They understand how important and how serious this mission is. They work, of course, with USAID, with our Trade Representative, with other Americans. We are hopefully not engaged in a stovepipe mentality with regard to this. There are not enough hands to go around to do that.

Could you describe, from the embassy standpoint, how the AGOA situation is organized and augmented?

Mr. LARSON. Certainly. One starting point is that even before our Ambassadors go to the field, I meet with every single one of them.

The CHAIRMAN. You are the briefer assigned to bring them up to speed.

Mr. LARSON. I bring them up to speed. I underscore the general importance of economics and business promotion to our foreign policy goals. I tell them about the experience that the Secretary of State has virtually every day. Foreign ministers will come in and you might expect that they want to talk about the next U.N. vote or some regional crisis, but they inevitably also bring up their trade agendas and their trade issues. This is a central part of the foreign policy dialog at this stage.

The second point I would make is that our Ambassadors have been very, very activist on AGOA in working with USAID and with USTR and with our public diplomacy people in making sure that there is information available to the host government about the benefits of AGOA, about the opportunities for learning more about how to seize those benefits, and about how to make this an ongoing partnership.

We have with us here today Ambassador Price, our Ambassador in Mauritius, who has been a very good example of exactly this type of activist role. He has hosted Ambassador Zoellick and many others of us when we went to that second forum in Mauritius.

I think the third point that I would make, Mr. Chairman, is that for all the challenges that Connie Newman mentioned explicitly and I think the rest of us have alluded to, I get good feedback from African ministers on our trade capacity efforts and our efforts to promote AGOA. I get it from the Africans, but I also get it in an interesting way, sometimes from Europeans who are also active in the area of trade capacity building and, of course, at least sometimes they think they have special relationships with the Africa countries. But I have had Europeans come and say, we do not know what you are doing on trade capacity building in Africa, but you must be doing a good job because the Africans talk to us about how much they appreciate the work that you are doing in helping them benefit from AGOA. So that strikes me as good testimony to what we have been doing and an encouragement to just work harder at it.

The CHAIRMAN. Well, that is very helpful and I appreciate your personal attention to this, as well as your help with our Ambassadors to ensure that they really do maximize the opportunities of the program.

Now, Ms. Liser, you have identified in your testimony four items that the administration has suggested should be elements of the legislation we are discussing. You say that you would like to see many of these elements. You have noted that some are addressed in some way in S. 1900. Without knowing in a technical way what sort of interaction you may have had even with our Foreign Relations Committee staff to this point, certainly our intent is to reflect all of these things. I want to make certain that they are reflected, but even beyond that to ask you or Secretary Larson or Ms. Newman how we anticipate we are going to progress with this situation.

If this were a trade hearing dealing with almost any other country in the world, we would have very diverse opinions, because I would not say that there is a degree of protectionism or isolationism coming over the country. Very clearly, an objective observer from outside the whole forum would think that that is the case, namely, that we are being advised by many people in American business, American labor, or other Americans who are just simply worried about all the cross-currents of trade, job loss, manufacturing loss, outsourcing, and competition that seems to them to be unfair. Sometimes they would just rather not have it at all. So these are all reasons why most people of common sense say, go slow this year in the trade area. This is not a happy year.

I take a look, for example, at something that, to use the vernacular, would be a no-brainer, a bilateral treaty with Australia. Even here there is a lot of foot-dragging. The Central American free trade is another example. Here are these Latin American Presidents, some of whom have had conflicts for years. They come arm in arm to see us and say, “We would really like to get together to have an elimination of trade barriers within our hemisphere, but likewise to work with you and with Mexicans.” We read press accounts: interesting, but maybe not this year, and so forth.

So suddenly we come to this very vital point, which all of us have made. This is the reason that I introduced the legislation last November. There is plenty of running room for everybody to get set and have the chance to work the language. I am hoping at this point—now, this is March—that we have worked it out. When I read in your testimony the four things that you are suggesting, I hope it has been very direct to this staff. In fact we have got the language because we do not have time to temporize back and forward as to whether we are on the same page at this stage.

Can you comment generally about this?

Ms. LISER. Thank you, Mr. Chairman. I do believe I can. First of all, let me just say that your staff has been excellent. I have been in touch with them, had meetings with them on your behalf. They were meeting with us on your behalf, that is. We have had the same types of opportunities with a number of the congressional staff on both the Senate and the House side, who have an interest in seeing AGOA III legislation go forward and go forward as soon as possible. That has been a major advantage for us in informing us of where you are up here.

But I think what is even more important is that it is a unique position in terms of AGOA because it is one area in terms of trade where we have seen consistently, since AGOA I was introduced, a number of stakeholders across a wide range including on the Hill bipartisan support for AGOA. And then in terms of major stakeholders, the African countries have worked very closely with us in letting us know what is critical. That was partly because of them and their loud voice on the Hill that I think AGOA I and AGOA II were passed, and their voice is also very strong at this point. They too have been meeting with folks on this side of the house as well as on the other side.

We have the faith-based community which has had a very vocal part in passage of AGOA in the past and continue to do that. We have the AGOA Coalition which are businesses and NGOs and others who also support AGOA.

So I think that right now what we have again is a partnership amongst all of those stakeholders who are very interested in seeing this legislation pass and see it passed as soon as possible. I know in the administration, we are very willing, able, ready to work with Congress in trying to move this legislation forward. So we stand open and ready, appreciate what you have already done, appreciate the cosponsors of this bill, and have been working closely on the House side with various members on that side and their staffs as well.

The CHAIRMAN. Well, this is good news.

Yes, Secretary Larson.

Mr. LARSON. If I could, Mr. Chairman, just add a couple of comments to Flori's excellent statement.

You said in your opening remarks quite correctly, sir, that there is a real action-forcing event here in terms of the expiration——

The CHAIRMAN. September 30, for example.

Mr. LARSON [continuing]. Of the fabric provision. It is a short legislative year. It is an election year and that always makes things complicated.

But it is very important to remember that for the United States and our economy, the impact of AGOA frankly is minimal. It is positive, but the impact overall is minimal. And yet, for these African economies that have rested some of these new developments on the provisions of AGOA, including the third fabric provision, it is huge. They would not understand that somehow we were not able to address this legislative challenge this year. For them it really is imperative that this get done.

Flori in her opening remarks said something that is very important and I think worth underscoring. We need to work for a resolution of this that is practical and passable. We cannot let perfect be the enemy of good. We are going to have to work something out, but we simply just have to get it done. I think from the standpoint of the State Department, that is the message I really wanted to leave. We have to get this done. We have to work it out. We have to be practicable and come up with something that is passable.

The CHAIRMAN. I agree, and that is the purpose of this dialog now, because it would appear to me that the four points that you mentioned, Ms. Liser, are in Senate bill 1900.

I want to make certain that the language that is in the bill is agreeable and compatible with your aims, because we are in a timeframe situation, quite apart from the politics of it. It is critical to achieve results before September 30. That is just 6 months away from now.

I mention this because we have been engaged, in the first 3 days of this week, on the Senate floor, attempting to work through a European treaty situation. I will not characterize all of the sides of this, but in essence, the Europeans have gone to the WTO and said that America is out of step, so out of step, that after many, many months and intervening conferences, they are levying tariffs on $4 billion of our exports. We are into the 25th day of this new regime. The Senate is unable to move forward or backward on this. It is not simply because we are disagreeing with the need to do something about it, but the procedures in the Senate are those that permit amendments on all sorts of other issues to come under this.

The public, looking at this as a whole, might say, well, this is no way to run a business. Americans studying this from a constitutional perspective would say, this is the way that we have always been running business in the Senate. This is a free country. Anybody who wants to discuss any subject on an authorization bill or some such vehicle as this can bring it up. Many people have said that they have 15 items, as a matter of fact, that they would like to discuss. In a short legislative year, we are not sure that any of these are going to be discussed unless it is done on a so-called must-pass basis.

Meanwhile, American business and American jobs and what have you lie out there, vulnerable, as these tariffs increase our costs, and our exports decline, and so forth.

This is well known to all of you because you have to deal in your part of government with this every day. All I am saying is that I would like to move, along with the distinguished ranking member, Senator Biden, to a markup fairly rapidly on this bill, just so that we get it underway. We have a hope of getting this on the Senate agenda in some form. Now, it ought to be in a form in which it is recognized up front as a critical and important part of our relationship with African nations.

Hopefully the President and the Secretary of State will discuss a gamut of relationships. You have touched in your testimony upon the budget support. Let me just say quite frankly that the State Department came forward with a fine budget that seemed to me to cover a great number of items, including HIV/AIDS, the Millennium Challenge. I mention those two situations because they also impact greatly upon our relations in a humanitarian and economic way with Africa.

The Budget Committee, in its own wisdom, sliced $1.4 billion from the State Department's request. Conceivably these very items that we have just discussed might have been casualties. I worked with the Budget Committee chairman, Senator Nickles. Secretary

Powell called Senator Nickles. Many of you may have called members of the budget staff. Our staff worked with the budget staffs on both sides of the aisle constructively, and at the end of the day, the $1.4 billion was restored, plus an additional $300 million that was a specific request of Senator Durbin to the HIV/AIDS request.

Now, that is the authorization, and that is the budget. We still have the spending side to go, the appropriations. Without this initial parameter, and not having the possibility of lodging budget points of order, we would already be in very deep difficulty even before we had this conversation today. Fortunately, due to activism by the State Department, by us, by others in a bipartisan way, we have the game still alive.

We really have to understand the urgency of this. We have testimony from Jim Morris of the World Food Program. He points out, as you would, that—and these are not exclusively African figures—24,000 people die in the world every day from malnutrition and starvation. A fairly high percentage of those are in African nations. About 8,000 more people, as we heard from Randy Tobias, the HIV/AIDS Administrator, are dying from AIDS and tuberculosis or some medical difficulty that is often induced by malnutrition, or for which it is very difficult to decide how the interactions occurred for those human bodies. So that yields a total of 32,000 people. If that occurred in battle any day in this world, this would be a very significant concern. Yet it actually does occur, every day in this world, almost off the charts. This is the enormity of what we are looking at.

The President has taken the initiative on HIV/AIDS, as well as the Millennium Challenge, trying to think through the governance issues and how to provide more quality assistance. What we are talking about today is an initiative by African citizens in African nations. This a significant movement into the mainstream of world trade. It is going well, as you have all pointed out. It is tremendously important that it be supported, and that we work with other nations. You have mentioned the Europeans and their surprise and delight. At the same time, we are not in competition. We are, as a group of nations, hopefully thinking together. Perhaps we can enhance our relationship with the Europeans by working with them through our diplomacy in Africa.

Please, if you can, help us through public statements. If there is a technical language change, let us get at it quickly, as opposed to waffling with more general feelings about this sort of thing. We are serious about it, and so are you. We will all need a good bit of luck to see this come across the finish line.

Ms. Newman.

Ms. NEWMAN. Mr. Chairman, I find often in our discussions of Africa we do not talk often about the benefit to the United States of having a strong Africa. We are not just doing a favor to Africa by having AGOA. We are attempting to build another partnership with a continent that is extremely important for so many reasons. So I find it is often hard in having discussions with people about why we should have AGOA, why should we even address HIV/AIDS. We are wonderful people, but that is not the only reason we are doing it. I think we need to use that argument also in trying to get this to move forward.

The CHAIRMAN. A very good point. As we discuss, as you say, the diseases, the fact is that these diseases could afflict this continent, as well as all of our people. We are a very small world, as we have discussed already. During the SARS epidemic and other situations, transportation induced a lot of change quickly. This is a case of our mutual benefit.

A couple of weeks ago I had a very good meeting with six African Ambassadors. We talked about AGOA. We were not meeting from the standpoint of a charitable relationship. Rather we were talking about the interests of each of our countries, that is, the six countries represented and the United States, and what we have at stake in this. I mention this because the active diplomacy of Ambassadors to the United States from African states has been a major factor in keeping this issue to the forefront. They care about this. They are articulate about the legislation. They also understand September 30.

Now, on that September 30 situation, we clearly have a short deadline. You would know this from the Trade Representative standpoint. Textiles are a very sensitive, neuralgic issue with regard to world trade. Add agriculture to textiles, and you already are into very considerable arguments. You can make the point that essentially, after all, there are not many textiles. When you take a look at the whole universe of this trade, why is there such commotion? I am here to tell you, if you did not already know, that there is commotion, even with the very mention of the subject.

When we went through the AGOA I business, quite apart from AGOA II, the legislation did not move all that rapidly. I remember going over to my House colleagues. I pay tribute to them because they carried the legislative load there for a long time. There were as many as 15 or 20 active Members in the House of Representatives on both sides of the aisle who continually held press conferences or rallies or various other things. We try to support each other. Frequently it revolved around how we are going to have a breakthrough in this textile area. This third country situation, which is complex to explain to the normal person in Africa or the United States, was a result of the compromises that brought this to the fore before and will do so, I presume, again.

All of us are going to have to go to school again, starting with the four of us, to make certain that we understand what that provision is, why it is important that it be extended, why it comes due this 30th, and therefore why, out of order, out of sequence, the Senate or the House ought to take up this legislation, at a time when many Members would say, my goodness, we have a priority list that deals with health and education in the United States, our roads, our taxes, our Medicare. It is a wonderful idea, but why now? Why by September 30?

Once again, just for the sake of the record, please explain, any one of the three of you, your interpretation of what it is that we are attempting to achieve by September 30. This is most time-sensitive, although the extension to 2008 is very important for the reason Secretary Larson and you, Ms. Liser, pointed out, just so there will be a continuity of investment. People have an investment horizon there that is more intermediate. Please deal for the moment with September 30 and its importance.

Ms. LISER. Thank you, Mr. Chairman. Indeed, the issue of the third party fabric is one which has been sensitive in the past but which is also crucial, in fact, urgent at this moment.

I think what we are facing—I have had the privilege of visiting a number of the apparel factories in various countries now that are AGOA-eligible. What you see there is really impressive. Places where there was nothing before, there are factories which are employing many, many people, particularly women who have never been in the formal economy before who now have been trained and have the opportunity to enhance their own lives and the lives of their families. It is extremely impressive.

What is happening, though, is that as an apparel business develops in sub-Saharan Africa, while they are doing that, they have not had the ability to also develop as rapidly as possible the textile industry. So as you can imagine, that is an industry on which many of us that are industrialized now have actually built and developed our own economies over time. And there is a reason for that. At the same time, though, the textiles industry, which is more complex, requires a higher level of investment, has been a little bit slower to invest in Africa in making the actual fabrics and textiles there.

So as a result, as I said earlier, 84 percent of the apparel that is being manufactured by these eligible countries under AGOA uses third country fabric. They simply do not have enough regional or indigenous fabric that they make or enough indigenous fabric that meets the qualifications for the apparel that is being sent to WalMart and Target and The Limited and so forth.

The CHAIRMAN. For instance, somebody from a third country sends some fabric of some sort from the United States to an African country.

Ms. LISER. That is right.

The CHAIRMAN. And then in this shop men and women do something to this fabric.

Ms. LISER. Right. They cut that fabric and they sew fabric together into apparel which then is sent back to the U.S. market. We are probably one of the largest importers of apparel in the world.

You mentioned the sensitivities of the textiles industry, and I think all of us here are quite aware of that. I just wanted to take a moment, though, to put things in perspective. I know we talked about the Africans cumulatively constituting about 2.1 percent. They had actually about 1 percent of the U.S. import apparel market before AGOA started, and what AGOA has done is allowed them to move up from what was a very minuscule amount of exports to now be 2.1 percent. What you have to think about, though, is that cumulatively, all of them together, rank 18th in the U.S. import lineup of apparel so that there are 17 other countries that individually send more apparel to the United States than all of the African countries combined.

When you look at Lesotho—we have talked about Lesotho a bit—Lesotho's $392 million of apparel exports to the United States, by itself Lesotho ranks 36th among all of the suppliers of apparel to the United States. So even their best performer under AGOA ranks 36th in terms of exports here. That $392 million, just so you know, would compare to the largest exporter, which is China, of $11.6 billion. So you can imagine why then Lesotho is number 36 in the lineup. There are many, many countries.

Again, I think that it is our responsibility to also educate people about what is going on here.

Another factor, though, that I would mention is that because of AGOA and because these countries can continue, even after third party fabric expires, to import U.S. fabric, there are some partnerships that are developing there which we would like to continue to encourage.

But I think for now the urgency is that we need to be able to pass legislation that will extend the third party fabric provision beyond September 30. Some of the retailers have told us that they are already shifting their orders to Asian countries for the most part. This is something that we would like to see stemmed before that reversal for the Africans starts to take hold. It has not yet taken hold, and this is why it is urgent to act.

I would just say that I think that the President, I know my boss, Ambassador Zoellick, we are strongly supportive of extending AGOA, addressing this third party fabric issue. We recognize that this is a tight calendar for the Congress this year, and that is why we have been on many levels and in many places working to try to make sure that we work with you and your staffs. We would like to work with you specifically and Chairman Grassley and his staff on the legislation in the coming months so that we can, in fact, have this happen. Thank you.

The CHAIRMAN. Secretary Larson.

Mr. LARSON. If I could just add an exclamation point to what Flori just said. Unless Congress acts, a vast majority of the apparel trade benefits under AGOA will be swept away. The investment that made that trade possible will be lost. The good will that we have gained as a result of AGOA will be washed away. And there will not be any really effective way of regaining that later. Those investments will have moved on. By the time the Congress comes back into session, it will be 2005, and the quotas under the international textile and apparel trade arrangement will be history.

There is an overriding urgency. AGOA is not just about the textile and apparel trade, but as our testimonies have made clear, this is one of the areas where there has been a tremendous opportunity that has been seized. It has been very large for Africa, very, very small and, I would argue, complementary in terms of our own economic interests. It is not just a case where, well, we can come back to this next year and we will fix it and in the meantime things will go on as they have been going on. It will be a hiccup but it will not be a problem. This will devastate AGOA unless Congress acts before the expiration of the third country fabric provision on September 30.

The CHAIRMAN. Well, you are absolutely right. One purpose of the hearing is, once again, to have that statement made and understood as broadly as possible.

I appreciate your mentioning, Ms. Liser, my colleague, Senator Grassley. The Senator from Iowa and his committee are critical for all this.

We are often in a situation in the Foreign Relations Committee in which we quite rightly are seized with the overall relations of our country with other countries. This is certainly a very, very important reason why we have enhanced relations with African countries, and why we want to augment that.

As with the hearing that we held this past Tuesday on immigration and on Mexico and other issues of this sort, clearly jurisdiction on the immigration parts of those issues lie with the Judiciary Committee. We have tried to visit with those members of that committee who have held at least one subcommittee hearing on that subject.

This is part of our own diplomacy internally in the Senate. I lay this out so that there will not be any doubt. I understand that action must be taken by the Finance Committee, and I hope that it will be. Hopefully, this hearing will strengthen the resolve of that committee, and offer good reasons why it should act.

At the same time, all of us will have to pull together—and by that I mean the administration and the Secretary and each of the agencies that are here today—to make certain that wherever you are, whichever committee in the Senate, that this is time-sensitive and critically important for our country in multiple ways, whether it be finance or trade or diplomacy or security or health and humanitarian purposes. I think that most Senators understand that, and that is why they tolerate our getting into all sorts of subjects that are sometimes beyond our specific jurisdiction.

Let me just ask whether any of you have any further comment that you might want to make on areas that you feel might not have been adequately covered, just so that our record is as complete as possible, as we send it out to others who are not party to this conversation today. Yes.

Ms. NEWMAN. I probably ought to add one other point. First of all, I am very optimistic about the future of the African Continent. If we look at what has happened in terms of governance and growth and the ability to even think about African countries being Millennium Challenge Account countries says they are doing so much. But they are not going to do it without us as partners. And AGOA is not just what AGOA presents itself, but it is the message that we send that we are serious about Africa being a part of a global economy. The additional contribution that we need to make is helping them build capacity to operate in the global economy, not just with AGOA but beyond that. We contribute about $90 million to that a year, but we all need to do more and we need to leverage the private sector support for trade capacity building because it is only through those relationships that really they are going to become a full partner in the economy.

The CHAIRMAN. Secretary Larson, do you have a final comment?

Mr. LARSON. Well, yes, just one, and it just builds out slightly on a point I had made briefly earlier in the hearing. One of the things that AGOA does for us in our relationship with the African nations is to give us credibility and a sense of genuine partnership. I mentioned in passing that Ambassador Zoellick and the rest of us, when we were in Mauritius, really had credibility when we talked to the Africans about some of our interests in pushing the Doha development agenda and discussing with them our approach to things like agricultural biotechnology. It was credibility because we were present and a part of what is important to them, which is developing their own economies and providing jobs and opportunities.

This is a broader point. We need to cooperate with African countries on a range of things. We have not talked much about counterterrorism, but the African countries have been and in the future will be extraordinarily important partners for us in stemming international terrorism. On a week when there is a lot of attention here on Capitol Hill to the importance of this war on terror and the importance for us to never let down our guard or lose our focus or do anything that prevents us from gaining allies all around the world in this fight, it is important to remember that this is part of what helps us be understood in Africa as countries that have an interest in a broad relationship with them. It makes it for them a two-way street and it makes it a lot easier for us, frankly, when we go and raise our other issues, whether it is other trade issues or issues like counter-terrorism, that we are seen as true partners. If we want them to be with us on those issues that are most critical to us—and that includes counter-terrorism, then we need to be present and working with them on the issues that are most important to them and that is jobs and economic opportunity.

The CHAIRMAN. Ms. Liser.

Ms. LISER. I just wanted to add one point that really is in the bailiwick of Connie Newman. As I have traveled around the continent and talked to many, many people and many ministers of trade in Africa about AGOA, one of the things that they will say is we have not been able to actually do much with AGOA yet. We see the potential. We are at the very beginning stages of being able to take advantage of AGOA. The countries that have been able to actually fully—and I would not even say that there are any that have fully taken advantage of AGOA yet—are really still at the beginning stages of that. So the overall extension of AGOA is important.

But the point that I have really seen with my own eyes is that the market access alone will not actually, at the end of the day, make the difference for many of these countries. Without the technical assistance and the trade capacity building, without a sense of partnership with U.S. businesses, their small businesses with African small businesses and U.S. small businesses working together in joint ventures, we are not going to actually see as much benefit out of AGOA for these countries as we would like.

So, again, we are hoping that the overall provisions, in terms of extension, extension of third party—these are critical. But another critical aspect that is addressed in S. 1900, as well as in provisions that we think will be considered on the House side, really has to do with this point of access alone is not enough. You have to do something to help these countries to take advantage of AGOA, and that is where the technical assistance and the trade capacity building really become important.

The CHAIRMAN. Well, I appreciate that statement. At a breakfast meeting this morning, the head of one of our leading foundations, for whom I have a lot of respect, paid tribute to Ambassador Zoellick. He felt that his relationship with Mr. Lamy and the European Union was an extraordinary case of good personal chemistry advancing agendas well beyond what might have occurred if two other individuals without that personal chemistry were interacting at a very difficult time. Secretary Larson has mentioned the Doha conference of WTO, as well as the extension of trade generally. Americans are deeply concerned about job creation, about extension of our own economy. We have to understand that that has occurred, by and large, through the extension of our markets and through very vigorous trade initiatives, and that our ability to produce and to export makes those jobs possible. They do not occur in a vacuum, in a zero sum game, in our country if we hunker down and pull the protectionist walls around us. But at the same time, if you are going to export, somebody has to have the wherewithal to buy. There literally have to be stronger economies out there.

It gets to another point that Secretary Larson was pointing out. We have a phobia in this country, and rightly so, of so-called failed states. This term describes a situation in which the governments are not really effective in providing security for their own citizens or for their neighbors or, worse still, a situation in which the governments may be incubators, if not of al-Qaeda cells, of somebody's cells, that is, of sub-governmental groups and others that prey upon the rest of the world. Therefore, from our standpoint of security, failure of African states is unacceptable not only to the citizens that are malserved there, but to us and to the world community.

Sometimes, we shift all of our focus, and we talk in this committee about terrorism and about security, and rightly so. Yet one of the things that we get back to again and again is whatever happened to Afghanistan in 10 years after we left. Why, indeed, were al-Qaeda cells breeding in training camps? The 9/11 Commission has been interrogating people from past administrations, as well as this one.

We are talking today about African states. Very severe security problems occurred at two of our embassies in African states. They were directly attributable to al-Qaeda cells and the organization. As you now read a 10- or 12-year history of the organization, you learn that it did not all occur in Afghanistan.

These are serious matters. Even if you wanted to get into an argument over textiles, you would need to extend the argument to American security and to our overall desire to make sure that everybody in this world is healthy, and that in fact we not only have healthy customers, but also healthy governments who are able to provide the normal provisions that enable nation-states to deal with each other.

This is all to point out why the deadline of September 30 matters. This is a critical juncture, as all of you have pointed out. This is not a situation in which somehow we can sort of pick up the pieces easily next year when we finally get around to it, with a whole new Congress, and maybe new legislative agendas. This is our agenda presently.

We appreciate your contribution to that understanding this morning. Please continue to work with us closely. We will try to champion the cause and to take on other champions who want to be with us in the Senate, as well as in the House, hopefully.

Having said all this, why, the hearing is adjourned. Thank you for coming.

[Whereupon, at 10:50 a.m., the committee adjourned, to reconvene subject to the call of the Chair.]

ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

RESPONSES OF FLORIZELLE B. LISER, ASSISTANT U.S. TRADE REPRESENTATIVE FOR AFRICA, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

Question 1. What justified certifying Angola as an AGOA-eligible country at the end of 2003? What steps did the Government of Angola take that constituted "continual progress" toward improved protection of human rights and worker rights, and toward combating corruption? Was there any disagreement among the agencies involved in reviewing Angola's eligibility status?

Answer. Angola is about two years removed from war, at peace for the first time in its history, and faces enormous challenges in establishing policies and institutions necessary to manage urgent reconstruction and development programs, as well as inevitable political, economic, and social change. Our review noted that since the end of the civil war in 2002, over three million internally dislocated people—ex-combatants, their families, and refugees—have returned without violence. We also noted that the Government made progress toward the development of an interim poverty reduction strategy program, and increased spending on health and education has been allocated in Angola's 2004 budget. The Government generally respects worker rights as provided for under the Constitution, including the right to form and join trade unions, engage in union activities, and strike. In addition, under the newly approved budget, parastatal companies such as SONANGOL will no longer be able to provide funds directly to government ministries "off budget"—potentially closing the single largest loophole permitting misuse of oil revenues. The Government also indicated that it would soon publish the long-awaited oil diagnostic, a commitment that will lead to greater transparency in management of oil revenues.

Because of steps taken by the Government of Angola in these and other areas, the interagency committee concluded that on balance, Angola had made generally positive progress toward meeting the AGOA eligibility requirements. We agreed that the Government of Angola still faces significant challenges, particularly in the areas of human and labor rights protections and economic governance, and warned the government via a strongly worded letter from Secretary of State Powell to President dos Santos, that in order for Angola to retain its AGOA benefits, it must continue to make progress on reforms in these areas.

While there were varying views among agencies as to the degree of progress made by Angola in meeting AGOA eligibility criteria, the interagency committee ultimately reached consensus that Angola should be made eligible for AGOA benefits.

Question 2. Can you assure me that USTR defers decisions regarding whether or not a given country meets human rights-related eligibility criteria to the State Department, rather than allowing other agencies that do not have responsibility for promoting human rights abroad to overrule the decision of the primary agency?

Answer. USTR chairs the interagency committee that considers the eligibility criteria for each country, including those related to internationally-recognized worker rights, human rights, and elimination of the worst forms of child labor. Participating agencies include State, Commerce, Treasury, Labor, Agriculture, USAID, CEA, and the NSC. Agencies draw on their own sources, as well as reporting from U.S. Embassies and public comments solicited through a Federal Register notice, to assess the economic, social, and political climates of different African countries, including human and labor rights. Each agency makes its own assessment of which countries are making continued progress in meeting AGOA's human rights and labor criteria, although some agencies will defer to the Labor and State Departments as having greater expertise in these areas.

Decision-makers within the State Department reached their own internal decision to favorably consider Angola's eligibility before the Department supported that decision within the interagency committee. The interagency process is based on consensus—all agencies must agree on changes to a country's eligibility status before that recommendation can go forward. No agency—including the State Department—is overruled in this process.

Statement Submitted for the Record

Prepared Statement of DATA (Debt AIDS Trade Africa)

DATA (Debt AIDS Trade Africa) thanks Chairman Lugar, Senator Biden, and the Senate Foreign Relations Committee for the opportunity to testify on S. 1900, the United States-Africa Partnership Act of 2003. As introduced, this legislation would extend the benefits of the African Growth and Opportunity Act (AGOA) and amend provisions to encourage increased trade between the U.S. and Africa as well as enhance the trade capacity of sub-Saharan Africa.

DATA is a non-profit organization dedicated to alleviating poverty in sub-Saharan Africa by working to ensure that Africa receives or is able to earn the resources necessary to overcome the AIDS emergency and achieve rapid progress toward the internationally agreed upon Millennium Development Goals. Although probably best known for its efforts to combat AIDS in Africa and increase development assistance to poor countries, DATA is also committed to highlighting trade as an important means of reducing poverty and improving the lives of poor people.

Economic growth is a necessary component for poverty reduction—and poverty reduction is critical to broad, sustainable growth. In sub-Saharan Africa these goals require a potent combination of ingredients that includes debt relief, increased development assistance, combating the scourge of AIDS, and a fairer and expanded international trade system. Without all of these Africa will not only fail to achieve the Millennium Development Goals but will also fail to become a true competitor in the global economy and attain self sufficiency.

Africa's limited trade capacity and the trade policies of the developed world that hamper opportunities to increase capacity make it impossible for countries to compete with the most developed nations. These burdens act as a disincentive for investment; undermine food security; unfairly stifle efforts to expand export oriented agricultural products; and weaken Africa's ability to expand and diversify its economies as well as the ability of governments to raise revenues. Trade is crucial for African development, and unfair trade policies undermine development.

TRADE BARRIERS

The importance of AGOA as a tool for increasing trade opportunities as well as trade capacity for sub-Saharan Africa must be viewed within the overall context of the international trading system and its impact on Africa. The negative effect of Western trade policies on Africa is most pronounced in three areas:

1. *Liberalization Policies.* Inappropriate market liberalization policies pressed on African countries by International Financial Institutions retard development. Countries are encouraged to remove measures that protect their developing industries even as developed countries maintain substantial subsidies and limit access their markets. During their trip to Africa, Bono and U.S. Treasury Secretary Paul O'Neill both noted that in Ghana the premature removal of domestic agricultural subsidies combined with the opening of Ghanaian markets to more imports and the prevalence of highly subsidized agricultural exports from the EU and U.S. created a perfect storm of unfair trade practice. The nascent character of African economies requires special and differential treatment in order to grow and mature, driven by country-owned development strategies enjoying the support of domestic constituencies.

2. *Subsidies.* Industrialized nations spend more than $300 billion on agricultural subsidies. U.S farm subsidies alone totaled more than $12 billion in 2002. While these subsidies assist U.S. farmers, their structure results in overproduction of goods which are then "dumped" on the global market at a fraction of their worth. These inexpensive products flood the international market not only making it not only nearly impossible for African farmers to export wheat, corn, sugar and other commodities, but often difficult for them to compete in their home markets.

The extraordinary subsidies and other trade barriers that developed countries maintain make it clear that reform of poor country economies and trade regimes alone will not produce the result we are pursuing. The U.S. must reform its subsidy structure as well as provide increased trade opportunities for more of the goods that Africa produces, particularly in the agricultural sector. With approximately three-quarters of the world's poor living in rural areas, reducing subsidies and opening markets to the products generated by small farmers and small enterprise is a key to unlocking development through trade.

3. Market Access. The imposition of tariffs, duties and quotas on African exports and the imposition of escalated tariffs on value added exports prevent countries from expanding trade, their options and their capacity. It is the production and export of value-add products that will have the greatest impact on economic growth in Africa.

AGOA addresses the third of these systemic ways in which trade impacts African growth and poverty reduction. While limited, it has increased trade between the United States and sub-Saharan Africa, creating jobs and investment. As a first attempt by the U.S. to tackle trade issues and improve trade conditions for Africa, AGOA, though small, is a significant step toward the goal of providing a level playing field and improved export conditions for Africa. It has also proven that specifically tailored trade laws can act as, and reinforce, development programs for poor countries. If a properly balanced and applied trade scheme is developed increased investment—foreign, regional and domestic—productivity, and income and wages for workers in Africa can be the result.

THE BENEFITS OF AGOA

The impact of AGOA on African imports has been impressive. Imports range from oil and petroleum products to textile and apparel, jewelry, cocoa, automobiles, agricultural products, and even electronics.

African economies and employment have also been positively impacted since the law's enactment in 2000. Today, 38 of the 48 sub-Saharan African countries are eligible for AGOA benefits. Fully three-fourths of imports from AGOA beneficiaries enter the U.S. duty-free. Sub-Saharan African countries have increased their regional fabric production and textile capacity; 19 countries are eligible to receive textile and apparel benefits; and six countries qualify for AGOA's special handloomed, handmade and folklore textile and apparel provisions. In the two years following enactment, Africa's clothing exports to the U.S. grew 46%, reaching $1.1 billion in 2002.

The United States is now sub-Saharan Africa's largest single country market, purchasing more than one-quarter of the region's exports in 2002. Total trade between the United States and the region was nearly $24 billion in 2002, with U.S. exports to African of $6 billion and U.S. imports reaching $18 billion. In 2003, the export of apparel from Africa to the United States grew by 50%; agricultural exports increased by 13% and transportation related imports (mostly passenger cars from South Africa) increased by 34% over 2002 levels.

The benefits of AGOA are perhaps best evidenced in Lesotho—a small country in southern Africa that was facing a declining extractive industries and diminishing remittances from expatriates. AGOA offered an opportunity to reorient the economy and the changes have been striking. In 2002, Lesotho exported $318 million in goods to the United States under AGOA and more than $370 million in 2003. Investment has increased, including the construction of a denim rolling mill, 17 garment factories and the construction of a cotton mill scheduled for completion this year. Some 25,000 jobs have been generated as a result of its AGOA status. Today, for the first time, more workers in Lesotho are employed in the private sector manufacturing jobs than by government.

AGOA IMPROVEMENTS

Despite making a significant contribution to improving market access, AGOA is not perfect. Currently, only a fraction of the duty-free cap available to AGOA eligible countries is used—in 2000 duty free apparel exports only reached half of the volume available under AGOA. Often the U.S. Customs Service strict interpretation of the law results in the denial of duty-free status for some apparel productions. The complicated nature of U.S. sanitary and phyto-sanitary requirements acts as a barrier to African agricultural exports. Issues of implementation and capacity still prevent countries from fully benefiting from expanded trade with the United States.

There are a number of deficiencies in the current law, including:

- the relative short lifespan of the law and special provisions to assist poor countries;
- inability of AGOA beneficiary countries to take full advantage of duty free access to the U.S. market;
- the lack of clarity in rules of origin which prevent the denial of duty free status for many products;

- the lack of technical assistance and training for countries seeking to meet importation requirements for agricultural goods; and
- the need to improve and create conditions and incentives for investment.

The bill introduced by Senator Lugar not only reinforces the existing foundation by extending the life of AGOA, but also addresses many of the deficiencies mentioned above. DATA specifically supports provisions of the legislation that would:

- extend the life of AGOA;
- extend the term of the third country fabric provision until 2008;
- clarify the law to improve implementation so that African countries may take full advantage of AGOA;
- enhance trade capacity of African countries; and
- enhance incentives for U.S. corporate investment in Africa.

Special trade regimes such as AGOA work best when they stimulate investment in productive capacity. Extending AGOA until 2015 would provide additional time to secure growth industries where they currently exist and create markets and stimulate production in areas where capacity is currently lacking in Africa.

Because apparel and textiles exports have increased in volume and importance to many sub-Saharan Africa countries, the third country fabric provision—which permits certain countries to use textiles from sources other than Africa or the United States in the production of garments for export to the U.S.—must be extended. Without the extension the upward trade trends as well as the opportunities for country that are on the verge of reaching capacity to produce apparel will be severely hobbled.

Clarifying the AGOA rules of origin will increase apparel orders and increase duty-free imports. The lack of clarity has often resulted in the U.S. Customs Service denying duty free status to garments produced under the AGOA because some components of the garments are neither African nor American in origin. The ongoing uncertainty over what constitutes an AGOA-eligible garment must be resolved in a way that will give Africa the greatest possible latitude.

S. 1900 would significantly improve the current law by addressing these issues as well as providing increased technical assistance to enhance agricultural trade; capacity building for meeting U.S. sanitary and phyto-sanitary requirements; access to and training on U.S. agricultural technologies; infrastructure enhancement incentives and assistance; and, business skills training for U.S. and Africa producers.

Africa's exports to the U.S. are only a tiny fraction of U.S. consumption, but are of great significance to sub-Saharan African economies. These improvements coupled with the extension of the AGOA will allow more time for more countries to truly take advantage of the law benefits and sustain the positive effects thus far experienced.

In addition to AGOA efforts that enhance market access, the legislation would address Overseas Private Investment Corporation (OPIC) restrictions that fail to provide sufficient incentive for U.S. companies to invest in African capacity and/or to sell the sort of capital goods that would enable Africa to build its own capacity. The legislation would also require of the Export-Import Bank to implement regulations that would ensure extension of credit, loans, guarantees and insurance to help spur direct investment in the region.

CONCLUSION

More than 700 million people live on a continent abundant with natural resources and yet many countries must rely on exports from the United States and Europe to feed their people. This is due in great part to the fact that the international trade system is weighted against them. American and European markets remain largely closed to African goods. Tariffs and quotas make it difficult, if not impossible, for Africa to export processed good and commodities. Liberalization schemes that wealthy nations (and their surrogates at the IMF and World Bank) press on Africa often work against countries that lack advanced trade capacity necessary to take advantage of the benefits that liberalization is assumed to provide, and often the process negatively impacts the most vulnerable poor communities whom we wish in fact to assist.

Clearly, real growth and development in African will always be limited unless we address matters of trade. Without improved trade with Africa and trade capacity within Africa along with increased development assistance and deeper debt relief, Africa's escape from the cycle of poverty and its participation in the global economy will be hindered. However, trade cannot merely be an instrument to open African markets to U.S. consumer goods. Trade must be fair—structured in a way that permits fragile economies to participate without inflicting excessive harm on their people—and it must be two-way. Opening the U.S. market to raw commodities and, more importantly, value added products can directly benefit U.S. consumers by reducing prices, creating a win-win means of reducing global poverty.

A prosperous Africa will be stable and secure. It will have the means to educate and feed its people, resolve conflict and fight disease and poverty. This would not only be a benefit to Africans, but to the people of the world.

Clearly AGOA is not a panacea. Extending its life and expanding some provisions alone will not achieve the goals that we, including Africans, have for the continent. However, it will improve economic conditions in Africa and increase U.S. investment in the continent and can act has a foundation for all else that must be done.