

BEYOND OIL AND GAS: AFRICAN GROWTH AND OPPORTUNITY ACT'S BENEFITS TO AFRICA

HEARING BEFORE THE SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED TENTH CONGRESS

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THURSDAY, JULY 12, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:38 a.m. in room 2172, Rayburn House Office Building, Donald M. Payne (chairman of the subcommittee) presiding.

Mr. PAYNE. Good morning. We would like to call to order the hearing of the Subcommittee on Africa and Global Health, "Beyond Oil and Gas: African Growth and Opportunity Act's Benefits to Africa." The purpose of this hearing is to critically analyze the impact that AGOA has had on growth and poverty reduction in Africa. That was the intent of the legislation, and we are going to examine where it stands now.

I have expressed concerns in the past hearings that AGOA has impacted and benefitted only certain sectors of the economy, mainly oil and precious stones and metals, and primarily a handful of the now 38 AGOA-eligible countries—namely Nigeria, Angola and South Africa in 2006, all of which are poised to reap the benefits of a top-down model.

One percent of Nigeria's AGOA exports are oil products and 100 percent of Angola's AGOA exports to the United States are oil products. South Africa produces 38 percent of the platinum, 12 percent of the diamonds and 21 percent of steel, iron and aluminum. In May 2000, Commerce passed the Africa Growth and Opportunity Act in order to improve United States/Africa trade relations and help Africa achieve economic development through trade.

AGOA provides duty-free and quota-free access to United States markets for certain goods from designated sub-Saharan African beneficiary countries. AGOA was envisioned as a tool to expand United States/Africa trade and investment and accelerate Africa's economic growth. But as a person who was deeply involved in the development of AGOA, I can tell you that there was a great debate as to whether this would be a tool for real sustained growth and poverty reduction in all of Africa.

I must say that 7 years later AGOA has not lived up to that promise in my estimations. On the contrary, it seems there are two AGOAs, the AGOA we have in reality and the AGOA we would like to have. Today, we hope to have an in-depth discussion on how well

AGOA has lived up to its promises and where do we go from here. AGOA has given African nations hope that there is a tool in place to increase trade and investment between Africa and the United States of America.

I applaud Congressman McDermott and Congressman Rangel for having a vision to create AGOA and the work that Congressman Royce added to it as it took off. I will continue to work with them to expand AGOA beyond oil, precious stones and metals, unfinished products that do not add value. That is one thing we need, value-added products, so that we can increase employment opportunities in these countries.

It is no secret that oil and gas are the biggest U.S. imports from AGOA. The countries that produce them account for 82 percent of AGOA trade in 2006. Petroleum products that come into the U.S. under AGOA are on the rise, up more than 16 percent last year from 2005, yet oil products do not need AGOA, as we all know. Oil products can move on their own.

They generally face low tariffs of around 5 percent per barrel according to the CRS while apparel products generally face high tariffs, ranging from 35 to 90 percent depending on the items. We will hear from our witnesses that agriculture is critical to growth, stability and development in Africa. It is the sector on which the majority of Africans depend, yet AGOA benefits to that sector are only lackluster. They are actually on the decline, less than 1 percent overall and only .6 percent in 2005.

Textile products also seem to be on the downward trend, undoubtedly as a result of China and India's growth and the end of the textile and apparel quotas that went into effect almost 2 years ago. There is also the issue of capacity building. Are we doing enough to spur African small- and medium-sized enterprises?

AGOA has not translated into sustainable poverty reduction as many of us hoped. So the question arises: Is AGOA headed in the right direction? Further, are we relying on AGOA to do things it cannot in the current form, and if so, how do we improve it? That is what we hope to gain. How can we improve it for the future of Africa? I would like our witnesses to address that in their testimonies which will follow.

As many of us know, the AGOA conference will be held in Ghana starting in 3 days from now, and I know that our representative here today will be attending that important meeting, and so I really appreciate your taking time to be here, especially knowing that you have to pack up and get over to the continent. So with that, I would certainly like to recognize our ranking member for opening remarks, Congressman Smith of New Jersey.

[The prepared statement of Mr. Payne follows:]

PREPARED STATEMENT OF THE HONORABLE DONALD M. PAYNE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW JERSEY, AND CHAIRMAN, SUBCOMMITTEE
ON AFRICA AND GLOBAL HEALTH

Good Morning and welcome to today's hearing of the Subcommittee on Africa and Global Health: "Beyond Oil and Gas: the African Growth and Opportunity's Benefits to Africa."

The purpose of this hearing is to critically analyze the impact AGOA has had on growth and poverty reduction in Africa. I have expressed concern in past hearings that AGOA has impacted and benefited only certain sectors—mainly oil—and primarily a handful of the now 38 AGOA-eligible countries. AGOA was envisioned as

a tool to expand US-Africa trade and investment and accelerate Africa's economic growth. But as a person who was deeply involved in the development of AGOA I can tell you there was a great debate as to whether this would be a tool for real, broad, sustained growth and poverty reduction for all of Africa. I must say seven years later, AGOA has not lived up to that promise. On the contrary, it seems there are two AGOAs—the AGOA we have in fact, and the AGOA we would like to have. Today we hope to have an in-depth discussion on how well AGOA has lived up to its promises and where we go from here.

In May 2000, Congress passed the African Growth and Opportunity Act in order to improve U.S.-Africa trade relations and help Africa achieve economic development through trade. AGOA provides duty-free and quota-free access to the U.S. market for certain goods from designated Sub-Saharan African beneficiary countries.

Yes, AGOA has led to an increase in jobs, especially apparel-related jobs. AGOA has had significant impact on a few countries, namely Nigeria, Angola, and South Africa in 2006—all of which are poised to reap the benefits of a top-down model.

It is no secret that oil and gas are the biggest US imports from AGOA countries—accounting for 82% of AGOA trade in 2006. Petroleum products that come into the US under AGOA are on the rise—up more than 16% last year from 2005. Yet oil products do not need AGOA. Oil products do not need AGOA—they generally face low tariffs of around 5% per barrel, according to the Congressional Research Service, while apparel products generally face high tariffs ranging from 35% to 90% depending on the item.

We will hear from our witnesses that agriculture is critical to growth, stability, and development in Africa. It is the sector on which the majority of Africans depend. Yet AGOA benefits to that sector are not only lackluster, they are on the decline—less than 1% overall and only .6% in 2005. Textile products also seem to be on a downward trend undoubtedly as a result of China and India's growth and the end of the textile and apparel quotas in almost two years ago.

There is also the issue of capacity building; are we doing enough to spur African small and medium sized enterprises?

AGOA has not translated into sustainable poverty reduction as many of us had hoped.

So the questions arise: is AGOA headed in the right direction? Further, are we relying on AGOA to do things it cannot in its current form and if so, how do we improve it? These are some of the questions I would like our witnesses to address in their testimony and the discussion to follow.

Mr. SMITH OF NEW JERSEY. Thank you very much, Mr. Chairman. Thank you for holding this important hearing on the African Growth and Opportunity Act. This law provides duty-free and quota-free access to the United States market for certain goods from designated countries in sub-Saharan Africa. It is based on the congressional finding that it is in the mutual interest of the United States and the countries of sub-Saharan Africa to promote stable and sustainable economic growth and development on the continent.

The criteria for beneficiary countries include evidence of progress toward a market-based economy, the rule of law, economic policies to reduce poverty and promote economic growth, a system to combat corruption and bribery and protection of internationally recognized worker and human rights. The recent report from the U.S. Trade Representative to Congress contains some impressive information about AGOA's impact.

Since it was enacted in 2000, trade between the United States and sub-Saharan Africa has increased 143 percent, and AGOA has played an important role in this increase. In 2006, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free. U.S. imports from AGOA countries totaled 44.2 billion in 2006, which was an increase of 16 percent over the previous year.

It is disappointing, however, that most of this increase in 2006 was due to oil and non-oil trade which increased by only 7 percent

after having declined a precipitous 16 percent in 2005. Non-oil AGOA trade constituted only \$3.2 billion of the total. These latter statistics indicate a need for greater attention to the non-oil potential on the continent.

We will hear testimony today about the need to expand United States trade with sub-Saharan Africa beyond oil, textiles and apparel, and I will be interested in and supportive of ideas that will further this objective. You will recall, Mr. Chairman, that the Subcommittee on Africa, Global Human Rights and International Operations that I chaired held a hearing in October 2005 on a 5-year assessment of the act. The October 2005 hearing included two witnesses who we will be hearing from again today, Ms. Liser and Mr. Steve Hayes.

Among the issues that I raised at that hearing was the protection of labor and human rights issues in AGOA-eligible countries. Ms. Liser testified at the time that AGOA was having a positive impact on worker and human rights and she provided examples of reforms that had been undertaken by beneficiary countries which included the prevention of child trafficking and which addressed the worst forms of child labor.

It is important that these issues be reexamined, particularly in light of the 2007 Trafficking in Persons (TIP) report that was released by the State Department just last month. It contains, as we all know, a Tier 2 watch list of countries that have serious trafficking problems and that do not fully comply with minimum standards to eliminate trafficking.

These countries will be the subject of particular scrutiny by the State Department's Trafficking Office during the coming year to ascertain whether or not they are making sufficient efforts to bring themselves into compliance with those human rights standards. It is disturbing that eight countries on the Tier 2 watch list are AGOA countries and beneficiaries. Each of these countries is cited in the TIP report for child and enforced labor concerns.

Sexual exploitation, particularly of children, as cited in some of these reports would also be relevant in the AGOA context as gross violations of international human rights standards. In addition to these other human rights assessments that are legislatively mandated as part of the AGOA eligibility process one would expect the tier placement for trafficking of persons to be of critical consideration.

I hope that Ms. Liser would address the issue, and to what extent there is collaboration with the TIP office and her office because I think that is an important consideration. While questions may be raised concerning the relation between AGOA and improving human rights it does seem that the Act together with the Millennium Challenge Account are providing an impetus for other advances.

The World Bank is reporting that corruption in Africa is declining stating that even some of the poorest countries have made, "significant progress" in improving governance and fighting corruption over the past decade. This trend is certainly attributable to a significant extent to the eligibility requirements from both of these initiatives.

AGOA and the MCA are also addressing infrastructure and technical capacity that are essential for long-term development but which are arguably not receiving sufficient emphasis from other assistant sources. As I indicated earlier and in our recent hearing on the MCA, Congress needs to look at ways to improve and strengthen these benefits in both pieces of legislation.

Finally, one should not minimize the goodwill and positive bilateral relationships in Africa that are being reinforced through AGOA and the MCA together with the President's Emergency Plan for AIDS Relief (PEPFAR). This latter consideration though intangible is critical if the U.S. is to maintain and strengthen its presence in the region of the world that is becoming increasingly important to our own national security, to global peace, and to prosperity.

Mr. Chairman, again, thank you for convening this hearing. I yield back the balance of my time.

Mr. PAYNE. Thank you very much. Ms. Watson.

Ms. WATSON. Thank you so much, Mr. Chairman, for holding the hearing. For decades, American policy has fostered an extremely paternalistic view of Africans. Our policies seem based on the idea that the people of Africa are so ensnared by poverty and misery that they are incapable of helping themselves. Despite a few worthy programs designed to teach a man to fish, most of the foreign assistance staff is too often focused on simply providing aid rather than solutions to poverty.

In the mid-1990s our colleague, Charles Rangel, started talking about taking a new approach, and the new idea was that the people of Africa are not just consumers but if given the opportunity to gain access to markets they could also be producers so that in 2000, that is why Congress passed the AGOA Act that you have been hearing about. Seven years later we need to say in truth that the results have been mixed. Imports from Africa have indeed skyrocketed under AGOA more than doubling over the last 6 years.

Unfortunately, over 90 percent of AGOA imports are in the energy sector. We don't need trade preferences to bring in oil from Africa, and I think Nigerian and Angolan oil will find its way into the United States market without subsidies. Furthermore, the huge surge in African oil is exactly the type of trade Africa doesn't need. Simply more exploitation of natural resources without the effort made to develop the human capital of Africa to add real value.

So we here in Congress are trying to work on this problem. We realize that simply lowering trade barriers is not enough. We need to work with African governments and the African people to foster a climate of entrepreneurship. Let me be clear. Africa does not suffer from a lack of entrepreneurship. What Africa lacks is the climate and conditions to let the inborn entrepreneurship of Africans flourish.

There are many energetic African entrepreneurs, but what they lack is capital to grow their ventures from microenterprises into small and medium enterprises. That is why we need to support African banks, to trust African entrepreneurs and provide more lending to Africa's small businesses. They lack governments interested in fostering their success and protecting the fruits of their labors.

That is why we need to support the rule of law, strong intellectual property protections for entrepreneurs and an end to the corruption that plagues too many African countries and discourages innovation. I am proud to say that Congress is working on the legislation to begin addressing these issues.

I am happy to be working with our chairman, and also with Chairman Tom Lantos and Representative Jim McDermott, on a bill which would apply the resources of the United States Government, the Small Business Administration, the Department of Commerce, the Patent and Trademark Office, to create small business development centers in Africa.

I am particularly interested in placing more emphasis on the role that intellectual property can play in providing more economic opportunity for Africans. In the 21st Century ideas are the most valuable commodities. In order to compete in global markets Africans will need the tools to protect and promote their intellectual property, patents, trademarks, copyrights and trade secrets.

We spend a lot of time lecturing developing countries about why they should protect our intellectual property, and I would like to see our focus shift to showing other countries why it makes sense to protect their own intellectual property as well as ours. Most importantly, we need to change the conception of Africa in this country. Too often we here in Congress look to Africa and see only instability and risk.

We need to pay more attention to the vision of our own American entrepreneurs. Entrepreneurs do not just see risk; they look for and find opportunity. So, Mr. Chairman, I really want to commend you for your continued focus and your work on this issue, and I look forward to working with you as well as the panelists and if we need to have more talk about the opportunities available for business development in Africa. Thank you so much. I yield back.

Mr. PAYNE. Thank you very much for those very comprehensive remarks. Mr. Boozman.

Mr. BOOZMAN. I pass, Mr. Chairman.

Mr. PAYNE. All right. Ms. Woolsey.

Ms. WOOLSEY. I pass, Mr. Chairman.

Mr. PAYNE. All right. We have Congressman Royce who, as I indicated earlier, was one of the prime movers in the AGOA when he chaired the Africa Subcommittee, and so I recognize the gentleman from California.

Mr. ROYCE. Thank you, Mr. Chairman. I appreciate you allowing me to attend this hearing, and we have worked together on the subcommittee for many, many years taking on many issues, and I look back and think that the work we did AGOA was some of the most significant I think and lasting. AGOA has had economic benefits as Assistant Trade Representative Liser will tell us about.

Certainly, we want to see more trade with Africa, but I think I can ensure everybody that without AGOA we would have a lot less, especially in finished products. I am looking forward to hearing what we can do to bring AGOA to a new level. There are also the intangible benefits, the considerable political and psychological benefits that AGOA has brought to many African countries.

AGOA was a signal to many of these African countries, a signal given by us, and we actually as the world's largest economy were

sending that message that they could compete in the world economy and as a consequence we have doubled our trade with the African continent. AGOA has also been a major incentive for economic reform due to its eligibility criteria focused on transparency and economic reform.

Mr. Chairman this hearing raises the question of oil. I have long been interested in Africa's growing significance in world energy markets holding hearings on this issue early on. If you will recall we have had this discussion. The United States will acquire an increasing amount of its energy supply from Africa. That is good as we should be diversifying our energy supply. All resource development should be done, though, to the greatest degree possible in a way that benefits Africans at large not certain corrupt leaders on the continent.

This is a constant struggle, but it is crucial to the development of the continent, and ultimately it is good for our interests if we do this with the African people in mind. Thank you, Mr. Chairman, and I look forward to hearing from our witnesses today.

Mr. PAYNE. Thank you very much, Mr. Royce. Mr. Miller.

Mr. MILLER. I pass.

Mr. PAYNE. All right. Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman, for holding this important hearing. I will forego any lengthy opening statement, but just again to draw some emphasis on one particular event that occurred to me recently. I had the opportunity to visit Liberia and I understand they are the most recipient of AGOA assistance. I tell you, it is an extraordinary country with huge opportunity that hangs in the balance.

To the degree that these initiatives in terms of economic opportunity can help lead to other outcomes of stabilization really I think are the underpinning of the intention of this important Act. So I appreciate your bringing attention to this and the review of it, Mr. Chairman, and look forward to the proceedings.

Mr. PAYNE. Thank you very much, and we will proceed with our first panel whom we are very privileged to have with us. Ms. Florizelle Liser, who is the Assistant U.S. Trade Representative for Africa in the Office of the United States Trade Representative. In this position, she leads the United States trade efforts in sub-Saharan Africa overseeing the implementation of the African Growth and Opportunity Act.

She serves as chief negotiator for a free trade agreement with five countries in the Southern African Customs Union. Ms. Liser has an extensive background in trade negotiations in Africa as head of USTR's Office of Industry Market Access and Telecommunications. Ms. Liser also coordinates industrial market access negotiations in bilateral and regional free trade agreements and the WTO.

From 1980 to 1987, Ms. Liser worked in the USTR's GET Office in the WTO in developing countries' trade issues. Ms. Liser holds an MA in international economics from Johns Hopkins University School of Advanced International Studies and a BA in international relations and political science from Dixon College. She was born in Panama and raised in Brooklyn, and we are very pleased to have her with us. Thank you.

**STATEMENT OF MS. FLORIZELLE LISER, ASSISTANT U.S.
TRADE REPRESENTATIVE FOR AFRICA, OFFICE OF THE
UNITED STATES TRADE REPRESENTATIVE**

Ms. LISER. Chairman Payne and members of the subcommittee, thank you very much for this opportunity to testify before the subcommittee on the effectiveness of the African Growth and Opportunity Act in promoting African economic growth and development going beyond oil and gas. We welcome your leadership and your sustained interest in maximizing the benefits of AGOA.

I have prepared a statement that I would like to submit for the record which I will briefly summarize. Let me begin my remarks by providing some context on trade as an important tool for development. According to the Blair Commission on Africa, Africa's current share of world trade is less than 2 percent, down from 6 percent in 1980. If Africa were to increase that by just 1 percentage point that increase would generate additional export revenues of \$70 billion annually, which is nearly three times the amount of current and annual assistance to Africa from all donors.

Clearly, aid plays an essential role in fighting poverty, a role that in many circumstances trade cannot play. These numbers suggest that increased trade should be a critical element of any strategy to promote economic development and poverty alleviation, especially in Africa. Indeed, the impetus for AGOA grew out of a recognition in both the United States and in Africa that trade can be an important tool for increasing United States/African engagement and can serve as an engine for African economic growth and development.

Congress and the United States administration have demonstrated a continuing commitment to AGOA, amending it three times to enhance and extend its benefits first by the Trade Act of 2002, then the AGOA Acceleration Act of 2004 and most recently by the African Investment Incentive Act of 2006. When we look at AGOA's impact over the past 7 years I believe we can say that the Act's major policy objectives have been achieved.

AGOA has sparked an expansion of United States/African trade by offering substantial trade benefits to those countries undertaking sometimes difficult economic and political reforms. AGOA has provided a powerful incentive and reinforcement for African efforts to improve governance, open markets and reduce poverty, and finally, trade capacity building assistance to help Africans take advantage of AGOA's provisions and to support regional integration and development has also grown.

AGOA has also provided a platform through the annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, which we all call the AGOA Forum, and many of us here are headed off to Accra, Ghana, for this year's forum. High-level dialogue has really helped us to improve United States/African trade and economic cooperation.

United States trade with sub-Saharan Africa continues to grow. AGOA has been a measurable success in achieving increased trade between the United States and sub-Saharan Africa. In 2006 AGOA imports totaled \$44.2 billion, which is five times the level of AGOA imports in 2001, the first full year of AGOA.

Now, much of this increase, as has been said by the chairman and others, was related to oil, but what is really important to know is that non-oil imports from the AGOA countries including value added products such as apparel, footwear, automobiles and processed agricultural goods more than doubled from \$1.4 billion in 2001 to \$3.2 billion in 2006.

We agree that much of this would not have happened had it not been for AGOA. Let me just pause for a moment to welcome all of the members and those who are here at this hearing to mention our show and tell table here, where we have a number of items that have come in from AGOA countries—processed agricultural products, textiles and other items are there, and you are looking at them.

They are an example of the kinds of things that are coming into the U.S. and the places where we are seeing some of the increases. There are many AGOA success stories. Lesotho has become the leading exporter of apparel. Kenya's exports now include fresh cut roses, sport fishing supplies, essential oils, as well as apparel.

Ghana is exporting more value added products under AGOA, and many African businesses that had never previously considered the United States market are attending trade shows and getting orders, everything from Ugandan organic cotton t-shirts—that one is over there on the table—to Senegalese peanut oil, Mauritian seafood and Rwandan baskets—also on the table there—are all now coming into the United States.

This increased trade has translated into thousands of new jobs in some of the poorest countries in Africa and hundreds of millions of dollars of new investment in the region. AGOA has also created opportunities for U.S. businesses. Because of AGOA Africans are increasingly seeking U.S. inputs, expertise and joint venture partnerships. United States exports to sub-Saharan African more than doubled from \$5.9 billion in 2000 to \$12.1 billion in 2006.

Admittedly, AGOA's impact has not been shared equally by all eligible sub-Saharan African countries. We recognize that. While more countries are taking advantage of AGOA, and I would point out that of the 38 AGOA countries 33 sent products to the U.S. in 2006, but much of the trade-related, the majority of the gains, have been concentrated in a dozen or so countries and there are some eligible countries that have yet to export any products under AGOA.

We also know that most of AGOA's non-oil success has been concentrated in the apparel sector even though we are now seeing greater diversification into processed fruits, vegetables, and other items, cut flowers, that are coming in. These facts reinforce the need for continued trade capacity building for AGOA countries. AGOA has had a positive impact on African economic, political and social reforms, and the administration takes very seriously the criteria that Congress has set for AGOA eligibility.

You know that we have in the past had to remove AGOA beneficiaries for failing to meet the eligibility standards. We also know that some of the countries that have been warned that have not been meeting expectations, these countries have in fact turned their countries around, have met the criteria or made progress in

meeting the criteria, and countries such as Liberia and Mauritania which were previously ineligible are now eligible.

We look forward to working with the rest of the countries in sub-Saharan Africa that are not yet eligible. Trade capacity building assistance does remain critical. It is in fact of all the messages we could give you the most important one as we talk about going beyond oil and gas. We appreciate that market access alone is not sufficient and that the eligible countries need assistance in order to take full advantage of AGOA's benefits.

Their challenges include inadequate infrastructure, lack of technical capacity to meet international product standards, especially the sanitary and phytosanitary standards for their agricultural products, they lack access to finance often and have little experience in producing and marketing value added products in the U.S. market. Last year the U.S. Government dedicated \$394 million to trade capacity building, which is up about 95 percent, and of this amount the Millennium Challenge Corporation accounted for \$276 million.

Through our global trade competitiveness HUBS, also providing a significant amount of assistance and the African Global Competitiveness Initiative, AGCI, was launched and will provide \$200 million of trade capacity building support over 5 years. We also believe it is critically important that AGOA member countries prioritize trade in their own development plans, and we consistently stress this point in our dialogue with them.

We recently requested that the U.S. International Trade Commission do a new series of reports examining the factors that affect African trading, key non-oil industries, and the first of these reports released in April reviewed a wide range of industries, 12 in all. We also provided that report to Congress, and we note that they looked at the underlying factors, the policies, the investments and the economic conditions that are contributing to the growth and development of specific industries in Africa.

African trade ministers have informed us that this study will be an integral part of their strategic planning on how to better take advantage of AGOA. In May 2007 President Bush launched a complementary program, the African Financial Sector Initiative, to help African countries improve their business environments and mobilize significant domestic and international investment. We know that this program will mobilize up to about \$1 billion of additional investment in Africa.

Finally, let me mention that USTR is joined by a host of other United States Government agencies, USAID, USDA, Treasury, TDA, Ex-Im Bank, SBA and the African Development Foundation, ADF, which are all providing targeted technical assistance to help improve African business competitiveness and foster greater trade ties.

In conclusion, thanks to AGOA our trade and investment relationship with sub-Saharan Africa has matured considerably over the past 7 years. Two-way trade is increasing, African countries are diversifying their exports to the United States, and we are consulting with each other more both on bilateral and multilateral issues. While we have achieved much under AGOA significant challenges do in fact remain.

More needs to be done to diversify Africa's exports and to expand the number of countries exporting under AGOA. AGOA has created significant opportunities for trade, investment and partnership, and we will continue to work hard with our African partners, the United States Congress, African and United States private sectors, civil society and other stakeholders to address the challenges and to ensure those opportunities are realized. Thank you.

[The prepared statement of Ms. Liser follows:]

PREPARED STATEMENT OF MS. FLORIZELLE LISER, ASSISTANT U.S. TRADE REPRESENTATIVE FOR AFRICA, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Chairman Payne and Members of the Subcommittee:

Thank you very much for this opportunity to testify before the Subcommittee on the effectiveness of the African Growth and Opportunity Act in promoting African economic growth and development.

I am pleased to report that seven years after its implementation, the African Growth and Opportunity Act (AGOA) continues to have a significant positive impact on U.S.-Africa trade.

INTRODUCTION

The impetus for AGOA grew out of recognition—both in the United States and in Africa—that trade can be an important tool for increasing U.S.-African engagement and can serve as an engine for African economic growth and development. The passage of AGOA in 2000 was a major bi-partisan achievement supported by African countries as well as by the private sector and faith-based, civil rights and non-governmental organizations. Congress and the Bush Administration have demonstrated a continuing commitment to AGOA, amending it three times to enhance and extend its benefits—via the Trade Act of 2002, the AGOA Acceleration Act of 2004, and the Africa Investment Incentive Act of 2006.

When we look at AGOA's impact over the past seven years, I believe we can say that the Act's major policy objectives have been achieved:

- AGOA has ignited an expansion of U.S.-African trade;
- by offering substantial trade benefits to those countries undertaking sometimes difficult economic and political reforms, AGOA has provided a powerful incentive and reinforcement for African efforts to improve governance, open markets, and reduce poverty;
- and trade capacity building assistance to help Africans take advantage of AGOA's provisions and to support regional integration and development has grown.

AGOA has also provided a platform—through the annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (also known as “the AGOA Forum”)—for a high-level dialogue on ways to improve U.S.-African trade and economic cooperation.

U.S. TRADE WITH SUB-SAHARAN AFRICA CONTINUES TO GROW

AGOA has been a measurable success in achieving increased trade between the United States and sub-Saharan Africa. In 2006, AGOA imports totaled \$44.2 billion. That is more than five times the level of AGOA imports in 2001, the first full year of AGOA. Much of this increase was related to oil, but non-oil imports—including value-added products such as apparel, footwear, automobiles, and processed agricultural goods more than doubled from \$1.4 billion in 2001 to \$3.2 billion in 2006. Our imports of African-made apparel have almost doubled since AGOA came into effect—increasing from \$748 million in 2000 to over \$1.3 billion in 2006. Last year, 19 AGOA eligible countries exported apparel to the United States; prior to AGOA only a few countries sent apparel of any significant quantity to the U.S. market.

There are many AGOA success stories: tiny Lesotho has become the leading sub-Saharan African exporter of apparel to the United States; Kenya's exports under AGOA now include fresh cut roses, preserved pineapples, sport fishing supplies, nuts, and essential oils, as well as apparel; Ghana is exporting more value-added products under AGOA including chocolates, jewelry, baskets, and preserved pineapples; and many African businesses that had never previously considered the U.S. market are attending trade shows and getting orders—everything from Ugandan organic cotton T-shirts to Senegalese peanut oil to Mauritian seafood and Rwandan

baskets. This increased trade has translated into thousands of new jobs in some of the poorest countries in Africa and hundreds of millions of dollars of new investment in the region.

AGOA has also created opportunities for U.S. businesses. Because of AGOA, Africans are increasingly seeking U.S. inputs, expertise, and joint venture partnerships. U.S. exports to sub-Saharan Africa more than doubled from \$5.9 billion in 2000 to \$12.1 billion in 2006, driven in large part by growth in manufactured products exports such as machinery, oil field equipment, motor vehicle parts, and telecommunications equipment.

Admittedly, AGOA's impact has not been shared equally by all eligible sub-Saharan African countries. While more countries are taking advantage of AGOA today than in 2001, much of the AGOA-related trade gains have been in a dozen or so countries and some eligible countries have yet to export any products under AGOA. We also know that most of AGOA's non-oil success has been concentrated in the apparel sector. These facts reinforce the need for continued trade capacity building for AGOA countries, which I will address later in this statement. The theme of the 2007 AGOA Forum, "As Trade Grows: Africa Prospers," was selected in order to highlight the wide range of products eligible for AGOA and to stress the importance of, and opportunities for, diversification.

AGOA HAS SPURRED AFRICAN ECONOMIC AND POLITICAL REFORMS

AGOA has had a positive impact on African economic, political, and social reforms. The annual review of countries to determine eligibility status under AGOA examines specific congressionally-mandated criteria, including the establishment of a market-based economy, political pluralism, the elimination of barriers to U.S. trade and investment, efforts to reduce poverty, and the protection of internationally recognized worker and human rights. We in the Administration take these criteria very seriously, as shown by the countries that have been removed as AGOA beneficiaries for failing to meet the eligibility standards: the Central African Republic lost its eligibility in 2004 following a coup d'etat; Eritrea lost its eligibility in 2004 for its shortcomings on economic reform and human rights; and Cote d'Ivoire was terminated in 2005 for lack of progress on political and economic reforms. Our hope and expectation is that these and other countries currently not found eligible will strive to create conditions so that they may be positively reconsidered. A number of formerly ineligible countries did exactly that: Liberia and Mauritania addressed the problems we raised during the eligibility review process, made significant economic and political reforms in response to our concerns, and are now AGOA beneficiary countries.

The majority of sub-Saharan African countries *are* undertaking real reforms—and not only because of AGOA, but because they also perceive it's in their best interests to do so. AGOA countries have liberalized trade, strengthened market-based economic systems, privatized state-owned companies, and deregulated their economies. These changes have improved market access for U.S. companies and benefited African economies. Additionally, many countries reformed their customs regimes in order to meet AGOA's apparel eligibility requirements, as AGOA requires countries to establish an effective apparel visa system before they receive apparel benefits.

TRADE CAPACITY BUILDING ASSISTANCE REMAINS CRITICAL

We appreciate that many eligible countries need assistance in order to take full advantage of AGOA's benefits. The challenges they face include inadequate infrastructure, lack of technical capacity to meet international product standards (such as sanitary and phytosanitary standards) and technical regulations, lack of access to finance, and little experience in producing and marketing value-added products for the U.S. market.

That's why we are investing in assistance to help African countries to address these challenges. Last year, the U.S. Government dedicated \$394 million to trade capacity building in sub-Saharan Africa, up 95 percent over FY2005. This aid goes toward activities such as helping African businesses and farmers to meet quality and standards issues, to get more timely market information, and to establish linkages with prospective American partners. Under the auspices of the U.S. Agency for International Development, four regional trade competitiveness hubs have been established throughout the region, each with AGOA advisors and trade specialists.

In FY2006, USAID launched implementation of the five-year, \$200 million African Global Competitiveness Initiative (AGCI). The goals of AGCI are to expand sub-Saharan Africa's trade under AGOA and to improve the region's external competitiveness. The AGCI provides assistance to overcome constraints by strengthening busi-

nesses and forming business linkages, improving the business climate, increasing access to financing, and leveraging investments in infrastructure.

As part of our implementation efforts, we requested the U.S. International Trade Commission to do a new series of reports examining factors that affect African trade in key non-oil industries.

The first of these new reports—released in April—reviewed a wide range of industries: 12 in all—from cashews to cocoa butter, cut flowers to preserved fish, textiles and apparel to financial services and tourism. The report identifies underlying factors—policies, investments, and economic conditions—contributing to the growth and development of specific industries in Africa. African Trade Ministers have informed us that this study will be an integral part of their strategic planning on how to better take advantage of AGOA.

In May 2007, President Bush launched a complementary program, the African Financial Sector Initiative, to help African countries improve business environments and mobilize significant domestic and international investment. The Overseas Private Investment Corporation (OPIC) will support the creation of several new private equity funds that will mobilize up to \$1 billion of additional investment in Africa. This investment will address critical gaps in the sources of financing available to African businesses, including small- and medium-sized enterprises. By September 2007, OPIC will select the first group of funds to support based on its assessment of developmental impact and potential for success. Moreover, U.S. government agencies will provide targeted technical assistance to strengthen country and regional debt markets; improve remittance systems in Nigeria and West Africa; provide banking regulation training; and develop payment systems and credit bureaus. These efforts will help to improve business competitiveness and foster greater trade ties.

CONCLUSION

Thanks to AGOA, our trade and investment relationship with sub-Saharan Africa has matured considerably over the past seven years. Two-way trade is increasing, African countries are diversifying their exports to the United States, and we are consulting with each other more, both on bilateral and multilateral issues. But while we have achieved much under AGOA, significant challenges remain. More needs to be done to diversify Africa's exports, and to expand the number of countries exporting under AGOA. AGOA has created significant opportunities for trade, investment, and partnership and we will continue to work with our African partners, the U.S. Congress, African and U.S. private sectors, civil society and other stakeholders to address the challenges and to ensure those opportunities are realized.

Fact Sheet on AGOACountries Eligible

Angola	The Gambia	Namibia*
Benin*	Ghana	Niger*
Botswana*	Guinea	Nigeria*
Burkina Faso*	Guinea-Bissau	Rwanda*
Burundi	Kenya	Sao Tome and Principe
Cameroon*	Lesotho	Senegal*
Cape Verde*	Liberia	Seychelles
Chad*	Madagascar*	Sierra Leone*
Republic of Congo	Malawi*	South Africa*
Democratic Republic of Congo	Mali*	Swaziland*
Djibouti	Mauritania	Tanzania*
Ethiopia*	Mauritius*	Uganda*
Gabon	Mozambique	Zambia*

* Qualified for textile and apparel benefits

Products Covered

AGOA adds over 1,800 products to the more than 4,600 products already included in GSP. 98% of all African exports to the United States enter duty-free.

- Essentially all agricultural products are covered, with a few exceptions including dried garlic, certain canned and processed fruits, cotton, and a few other highly sensitive products subject to U.S. tariff rate quotas (such as tobacco and sugar). In the few cases where TRQs exist for highly sensitive products, goods from AGOA beneficiary countries may enter duty-free within the quota.
- Almost all manufactured products are covered, with a few exceptions including certain textile articles, flat goods, and certain iron and steel products.

Rule-of-Origin Requirement

For an imported item to be AGOA-eligible, it must be the growth, product, or manufacture of an AGOA beneficiary country and the sum of the cost or value of materials produced in the beneficiary country plus the direct costs of processing must equal at least 35 percent of the appraised value of the article at the time of entry into the United States.

Latest Data

- In 2006, U.S. total imports from sub-Saharan Africa increased by 17% to \$59.2 billion. U.S. total exports to sub-Saharan Africa also rose by 17%, reaching \$12.1 billion.
- U.S. imports from AGOA countries totaled \$44.2 billion in 2006, up 16% from 2005. While this was due largely to oil, non-oil AGOA trade did increase by 7% to \$3.2 billion.
- The United States devoted \$394 million to trade capacity building activities in sub-Saharan Africa in FY 2006, up 95% from FY 2005.

Countries and Product Utilization

Of 38 AGOA-eligible countries, 33 sent products in 2006. Many of the products being shipped under AGOA are expanding in quantity. Examples include minerals and metals, up 21%; cut flowers, up 22%; footwear, up 30%; cashews, up 73%; and transportation equipment, up 81%.

Mr. PAYNE. Well, thank you very much for your testimony. Let me just begin by just asking a general question about AGOA. I just wonder, has AGOA lived up to the expectations of the Department or you from when it was first implemented 6 years ago? And in your opinion, have we have met the expectations? And in which ways do you feel we may have fallen short?

Ms. LISER. Thank you, Chairman Payne. I believe that we have to acknowledge that AGOA has had some success, measurable success. It has lived up to our expectations but not fully to our expectations because we have to recognize that there is much more that can be done. So we are looking at the various ways that we can increase the product utilization and the country utilization of AGOA so that we can fully meet our expectations and yours as well.

Mr. PAYNE. I know that there are several U.S. agencies that have jurisdiction over AGOA, and you might have touched on it briefly in your conclusion, but would you list the different agencies that work with you and what is their interaction with one another? What does it entail, and what is the interagency plan? How you would rate its effectiveness of working together and coming up with expected outcomes to provide sustainable and long-term development assistance to the AGOA-eligible countries?

Ms. LISER. Well, I think the thing that is really impressive in my view is that we have a whole host of agencies that are really working together as a part of the AGOA Implementation Subcommittee of the Trade Policy Coordinating Committee of the government.

This includes not just USTR but the State Department, Treasury, Commerce Department, the Departments of Energy, Transportation and then a number of the financing agencies including the Trade and Development Agency, Ex-Im Bank, TDA, OPIC, and we also have the African Development Foundation as I mentioned earlier that are major players at the table, and if I did not mention USAID I certainly should have mentioned them.

So we have a full range of U.S. Government agencies that are at the table. At the beginning of the year, and I try to do this every year, I go and sit one on one with the key people at each of those agencies to talk about what is happening on AGOA and what they specifically can do to help implement AGOA and to help the African countries to take greater advantage of AGOA and also United States small businesses to take greater advantage of AGOA.

SBA plays an important role in making sure that our own small businesses, minority and women owned businesses, take advantage of AGOA opportunities as well. So I think we have just about all the agencies at the table, and we have a mechanism for coordinating our efforts together. Obviously, the AGOA Forum gives us another opportunity to come together with our African counterparts.

Again, we have to stay vigilant in terms of coordinating these efforts and making sure that we are leveraging all of the different programs that we have, especially in terms of what USAID is doing and the Millennium Challenge Corporation is doing in providing help with infrastructure in Africa and also in terms of supporting the four regional trade hubs.

Mr. PAYNE. All right. Thank you very much. Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman. I know that the agriculture is such an important aspect of many of these countries. Can you comment a little bit about it and what is happening in that regard?

Ms. LISER. I think that there are several pieces of this very important sector that we need to focus on. Obviously, one of them is the ability of Africans to provide food at a subsistence level that has very little to do with trade. We then, though, need to look at what are the Africans doing and how can we work with them to actually get their raw commodities—they have a huge competitive advantage in producing a lot of those raw commodities—getting them into the global market, making sure that they are competitive in selling those products to the market.

I must say that AGOA was really structured to make sure that not just their raw agricultural products but their processed agricultural products where they can get more of the value added for their own natural resources come in. Frankly, this is where we have been spending a lot of our efforts. We have help on the ground from USDA's animal, plant and health inspection service so that the Africans can send more of their agricultural products into the United States and the global market, but we also have been working with them in their processing plants to help them actually take those products to the next level.

That is where we need more of the technical assistance. I will just end by saying that I was on Monday in New York at the International Fancy Foods Show, and we had what we called an African pavilion there where we brought 40 companies from about 17 of the AGOA countries to showcase their products. Some of the products are actually on the table there. Jams and jellies from Swaziland, Peri-Peri sauce from Malawi, cocoa from Ghana, we had a whole range of products, tea from Kenya.

What we are focusing on now is that value added. Without that the Africans will be stuck at the bottom of the value chain forever, and so we need to look at both of those pieces, helping them with their raw commodities and also making sure that they can do the processing that will get them more money for their farmers as well as for their manufacturers.

Mr. BOOZMAN. One of the problems that, you know, many of these countries have is that there is so many borders in a sense. You do a good job, you have got some manufacturing going, or the farm commodity, or whatever, and then you are trying to export it and you have got to cross all of the borders of other countries to get it wherever you are going. That seems to be a real problem sometimes, you know, as far as negotiating the ability to do that.

Are we helping with those kinds of things also in the course of this?

Ms. LISER. Yes, we are. Obviously, regional trade is really critical. Actually, regional trade is often the platform. Once you are competitive in your region selling a particular product that often is the platform from which you are able to then become more competitive globally. We had been working with the Africans in terms of reducing the cross-border barriers that they have to each other's trade, but then we are also working with them in terms of Customs

facilitation issues and helping them to look at how they can better utilize regional trade through various ports.

We have lots of ports in Africa, but we also have landlocked countries and we are working with them through their regional organizations like COMESA. I think we will have someone testifying on behalf of COMESA about what they have been doing as a region. We are pleased with the progress we are making, but we would also note that a lot more progress has to be made in reducing the barriers to intra-African trade and then also facilitating trade and lowering the cost of actually transporting their products out from the continent to Europe, the United States, China, Brazil and other places.

The costs of transportation are enormous, and we are trying to figure out how to get people to lower those costs.

Mr. BOOZMAN. Thank you, Mr. Chairman.

Mr. PAYNE. Thank you very much. Ms. Watson.

Ms. WATSON. I will pass.

Mr. PAYNE. Ms. Woolsey.

Ms. WOOLSEY. Thank you. Do we pronounce your name Liser?

Ms. LISER. No. It is Liser.

Ms. WOOLSEY. Liser. Okay. Because I heard it five different ways. Thank you, Ms. Liser. With AGOA we brought opportunities and challenges to Africa that you described to us, but along with the growth comes responsibility and as more jobs are being created I would like you to respond to how AGOA is living up to international labor rights and particularly with African children. What is going on with the 30 million children who are considered out of school in sub-Saharan Africa alone?

What is going on that will help encourage them not to leave school to go to work and vice versa?

Ms. LISER. Thank you. I think that obviously each year as we look at the AGOA eligibility, we have the annual review, clearly we are looking at the full range of criteria that Congress set for AGOA eligibility, and one of the key areas of course are labor and human rights, child trafficking, those kinds of issues.

We take that very seriously. Every fall, usually in September, we ask each of the AGOA posts to send us a report touching on each of those areas, and we also look at the annual reports that come out of the State Department on human rights, on child trafficking issues. We look at that, and then we are able to make a determination on whether or not the countries are advancing.

In cases where we have seen any problems or concerns we have gone to those countries and actually warned them that if they do not in fact address those issues, whether they are labor issues, human rights issues, worker rights issues, child labor issues, that we will in fact remove them from AGOA. I think that because we have removed countries from AGOA people take us very seriously.

I do know that there have been on the issue of labor rights a few cases where we threatened to remove both GSP and AGOA, and in the case of Uganda they actually put in a whole series of new worker rights laws, labor rights laws, and passed them just because they wanted to make sure of course that they were abiding by the rights of their own people, but also because they knew that this

was critical from the United States point of view in maintaining their eligibility for GSP and for AGOA.

So we believe that the process of reviewing annually works as an incentive to the countries. I should just say, also, though, that we have to give credit to those countries. They have been in fact focusing on improving their environments, both in terms of the regulatory environment, the labor and worker rights environments. We have seen progress.

Ms. WOOLSEY. And measurable progress.

Ms. LISER. We think so.

Ms. WOOLSEY. You do report that there are fewer kid labor—

Ms. LISER. Right. We think that there has been measurable progress. We are not saying that there are not areas which still need our attention and focus, but we do continue to look at those areas where improvement still needs to be made and to push those countries to make those improvements.

Ms. WOOLSEY. Thank you. Thank you very much.

Mr. PAYNE. Thank you. Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman. I am sorry. Is it Ms. Liser or Ms. Liser?

Ms. LISER. It is okay. It is Liser. Go ahead.

Mr. FORTENBERRY. Liser, okay. Well, first of all, let me thank you for coming, and I appreciate your testimony. Obviously you love your work.

Ms. LISER. I do.

Mr. FORTENBERRY. You have a very passionate desire for this, and it comes through in the way in which you unpacked some of the complexities here, so we are grateful for your governmental service. I would like to make a few comments, then I will pivot into a question.

The United States by far and away leads the world in foreign assistance, humanitarian and otherwise, and I think going back to the story that I told earlier I think it is important to note you unpacked for the chairman earlier a number of U.S. programs that are affecting change either economically or in terms of more sustainable societal development around the world, whether that is Millennium Challenge Corporation, USAID's work, the Department of Commerce's programs as well as U.S. Department of Agriculture programs.

In Liberia when you come from the airport into Monrovia it is quite a long ride, and it is a beautiful, lush, tropical area as you are aware and small village after small village, but yet, right on the outskirts as you enter into Monrovia arises in the midst of all of this brand new, big, shiny soccer stadium.

It was built by the Chinese Government and simply handed to the Liberian, and I understand there is a long relationship there, but I think it is important to bring that story up to provide some contrast as to how the United States approaches long-term partnerships with countries who are looking, again, to rebuild or to build sustainable civil society through the fundamentals of economic reform, as well as the rule of law, as well as important social progress.

I understand that while AGOA has a narrow mission in terms of expanding trade opportunity through incentives nonetheless un-

derlying that or tying it to progress on those other fronts is very, very important. I think it differs—and I don't pretend to understand all the bilateral relationships that African countries have with other countries around the world, many of which I assume are quite helpful, but in terms of an innovative program that tries to achieve those objectives of building more sustainable societies I would like you to comment on that.

How much progress? The linkage between AGOA and AGOA participation in terms of strengthening the rule of law, reforming certain civil structures. It was related to the previous question by my colleague, Ms. Woolsey, as well. Are those outcomes measurable? Are they achievable? Paint the future picture as we continue to potentially expand AGOA opportunities.

Ms. LISER. Thank you. Let me just touch first on the rule of law issue. That is clearly one of the criteria for AGOA eligibility that we focus a great deal of attention on each and every year that we undertake the review.

I must say that in some cases we have, because there has not been the rule of law and the governance that is there, either delayed making a country eligible—Burkina Faso for a number of years was not eligible for AGOA benefits because we were not clear about the role that it was playing in terms of rule of law, supporting conflict in the area, and we were not going to make them eligible until we were confident that they had put those practices behind them and were moving in the right direction.

We also, partly because we did not see the progress needed in terms of rule of law and democracy in Côte d'Ivoire, it really hurt our hearts, but we had to make Côte d'Ivoire ineligible because the elections had not been held.

We are now hopeful that they are on the right path and those elections will be held, and we look forward to a time where we can come back and look at Côte d'Ivoire and say, "Okay, rule of law is in place, governance is doing well, democracy is on the right path and thank goodness this very powerful west African economy will now be a part of the AGOA family again," but we are not there yet.

Mr. FORTENBERRY. But you see a strong linkage in terms of motivation between this initiative of the United States Government and that potential outcome?

Ms. LISER. We do, we do, because even for the countries that are not actually sending a lot of products under AGOA yet all of them still want to be AGOA eligible, they still want to be a part of that. They see it as a sign of whether or not they will get the investment that they need, and they know that if you are a noneligible country in the same region and there are other countries in the region that are eligible, where are U.S. investors likely to go?

So we have had specific requests from d'Ivoirean business people saying help us. You are punishing us even though it is the government that is not doing the right thing. We say pressure your government so that they will do the right thing, and we would be happy to have you be a part of AGOA again. On the China issue if I could just touch briefly, we do watch carefully the relationship that China has with Africa.

There is a huge amount of growing trade, mostly Chinese products going into Africa. The IPR issues that were raised by Con-

gresswoman Watson, we were aware of that. There are certain trade practices, and even here in the United States when we pick up AGOA products, products that look like they are from Africa, and turn them over sometimes we see made in China.

Now, that is not illegal, that is not counterfeit trade, but there are issues that have to do with intellectual property rights and helping Africa in a particular way to take advantage of their own intellectual property and their own products. China has a complex set of relationships with sub-Saharan African countries. On the one hand we, as well as the Africans, frankly welcome their willingness to build soccer stadiums, and hospitals, and schools and roads.

On the other hand there are concerns that the Africans have expressed about ways in which the Chinese may be undermining some of the international standards in terms of good governance, et cetera, their role in Sudan, for example, and the Africans themselves express concerns about this. So, again, it is complex. We want to work with China and any other countries in the world to help Africa in terms of the infrastructure it needs, especially infrastructure that supports trade.

On the other hand we don't want to give anyone a free pass. We want to make sure that they are abiding by the international norms in terms of governance, democracy and that where there are still conflicts in Africa that we are all working together to make sure that there are peaceful resolutions to those conflicts.

Mr. FORTENBERRY. Well, Mr. Chairman, if you can indulge me for 30 more seconds. That is an excellent answer because it is very complicated.

I only raise the issue of the soccer stadium to provide some contrast as to the way in which the United States—and again, I don't pretend to understand perhaps other humanitarian issues the Chinese have taken on, but it is very symbolic I think of the nature of which they perhaps have gone about building bilateral relationships throughout Africa by presenting something that might be very endearing but perhaps is not getting into the ideals of long-term sustainability by ensuring that all of the mechanisms for good governance and strong social order are in place as contrasted with what the United States is doing, which is harder sometimes.

It takes longer, there are setbacks as you were saying, there are rewards and punishments versus just handing over a big, major gift that might win the hearts. So I bring that up simply to, again, commend your work, to commend the wisdom behind the Act and to talk about some of the challenges that exist out there in terms of competing for the mind and heart and the long-term viability of the African continent.

Ms. LISER. Could I also just add because I think is so important, you know, we have had a relatively new policy, this transformational diplomacy that we have undertaken, and one of the key elements of that is what we are doing through the Millennium Challenge Account.

I believe others here can speak more to it later on, but the thing that is really exceptional about this is that we have said those countries who are moving forward committed to all of these good governance practices, we, the U.S., are prepared to provide substantial amounts of support for very fundamental infrastructure

and other economic growth producing poverty alleviating projects in your country.

You tell us what those projects are, we will work with you to make sure that the due diligence has been done, but once you meet the MCC criteria and you have designed programs and initiatives that are beneficial then we will basically give you the money to do that. We have got at least I think it is eight or nine countries in sub-Saharan Africa that are MCC eligible. We have another handful that are eligible for the Threshold program and hoping that they will get there.

Let me just end by saying that some of the structures that we see now that China has that are symbols of what China has done there, give us 2, 3 years and you will start to see some shining symbols in the MCC country of the things that the United States has done.

Mr. FORTENBERRY. Well, it is symbols with an underlying purpose that can lead to the long-term viability, and sustainability and health of the continent.

Ms. LISER. Right. Absolutely.

Mr. FORTENBERRY. I appreciate you saying that, plus touching briefly diplomatically on the issue of Sudan and China, the concern that this committee has expressed very aggressively and many members in the Congress about that peculiar relationship and how it may be part of creating the very grave problems that exist in Darfur and elsewhere, so thank you.

Ms. LISER. Thank you.

Mr. FORTENBERRY. Thank you, Mr. Chairman.

Mr. PAYNE. Thank you very much. Ms. Watson.

Ms. WATSON. Thank you. This is there for your comprehensive responses. They are very informative. I am going to go to intellectual property after I raise something that is really been of great interest to me. Recently Starbucks reached an agreement with the Government of Ethiopia to respect Ethiopia's effort to trademark their fine coffees, and this ties in to my intellectual property concerns, too.

Congressman Honda and myself were leaning on Starbucks to work with the Ethiopians and I am glad they eventually saw the value of their approach. I am sure you are familiar with that scenario. What do you think will be the legacy of the agreement, and can it be a model for other countries in Africa?

One of the things I have noticed in my travels around Africa is that the countries from which we get the products when we go in and operate seem to be exploited, that they don't receive the value and the benefit, and so that is the reason why Congressman Honda and I really wanted to set a light and a focus on what was happening in Ethiopia.

So if you can comment on the sustainability and can this be a model, and then I will go on and ask my intellectual property questions as well.

Ms. LISER. Thank you for raising that. I think that the agreement that the Government of Ethiopia and the Starbucks have reached is indeed an example of what happens when the various parties, all of which stand to gain and benefit from trade, sit down and work out amicably an outcome that will clearly be a win, win.

We in USTR and the USG have been supporting and pushing both sides to come out with what would be a win, win.

I myself have had the opportunity both in Ethiopia, and Rwanda and other places to focus on the issue of coffee. I think the most interesting thing here that sets the example is that Africa does not want to just send out the normal commodity grade of coffee. That has happened for a long time.

One of the things that Ethiopia was doing, and Starbucks is also doing this with Rwanda, is to make sure that they are now in a position to take advantage of the specialty coffee market which will yield and is already yielding a lot more in terms of revenues which then go to the cooperatives, I have visited these cooperatives myself, and then that trickles down to the farmers.

Maybe trickled isn't even the right word because I met with a group of coffee farmers I know myself who were very active and knew exactly what the world market prices were for commodity coffee, for their specialty coffee, and were making sure that they were going to get it. So yes, we do think it is an example of what can happen, and we also think in terms of the area of protecting the intellectual property, the Yirgacheffe, and the Harar and the other coffees that are Ethiopians, that is an important area.

Ms. WATSON. Before we have to run, but Kenya has a very fine grade of coffee.

Ms. LISER. Absolutely.

Ms. WATSON. What is going on with the Kenyan coffee?

Ms. LISER. The Kenyans have also been working with a number of the United States buyers to make sure that they, too, are taking advantage of the specialty coffee market and also processing the coffee not just sending it as raw beans. This is just critical for them.

Ms. WATSON. Yes. Well, Mr. Chairman, at another time and when you get back from your conference maybe we can sit down and talk about the intellectual property issue. We have a caucus that deals with intellectual property, it is C&C Communications, but we would like to expand that to look at protection of properties of copyright, the trade issues that I raised early. Thank you so much, Mr. Chairman.

Mr. PAYNE. Thank you. Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman. To go back to that legacy point one of the legacies I hope we leave for Africa is AGOA. One of the legacies which China will leave is the clear cutting of the rain forests, the clear cutting of the timber, which is really a one way street. One of the legacies I think we will leave is the Congo Basin Forest Partnership Act that impacts seven countries in western Africa.

One of the legacies China will leave is the attempt to bribe an interior minister in attempts to basically sole source and get access to timber. One of the legacies that we will leave is the work done Payne and I did on the resolution on Darfur, the finding of genocide, our work at the United Nations to try to get the U.N. to take that up.

One of the legacies China will leave is arming the cartoon government and those arms falling into the hands of the Janjaweed. So I think that there is ample evidence that we are going to have

to be very focused on what we do, in Europe I think as well, in terms of trying to guarantee transparency and rule of law because there are forces that are trying to undermine what I believe will bring progress for the subcontinent of Africa, or for the continent of Africa but for in particular sub-Saharan Africa.

Congress mandated the AGOA competitiveness report. Mr. McDermott and I put that in AGOA three. That report would identify sectors of the African economy with the greatest potential for growth through exports, and then it went through and identified barriers, both domestic and international, that would impede that growth and then lastly it set up these recommendations on how technical assistance could be used to mark down those barriers.

Now, the report that was produced I think was a very good report. You would be commended on that. How is this report put to use? Can you, Ms. Liser, tell us exactly how that is applied?

Ms. LISER. I can tell you that the way that we have used that report—first of all, all the agencies, we sat down together when that report came out and part of what I have discussed with different government agencies is how they can use the areas identified, the sectors identified, with their own mandates to help advance trade in those particular areas.

For example, if you look at floriculture or horticultural agroprocessing as specific areas that were identified in that report one of the things that we have been doing is instead of talking about AGOA when we do technical assistance at sort of the 10,000 foot level we have now really started to do sector by sector technical assistance.

What we have found is that though there are some broad issues and challenges that affect all the sectors, that when you go to particular sectors you have to be able to help the producers on the African side, and working with the potential buyers on the United States side and bringing them together. You have to be able to provide the market information; you have to be able to provide the Africans with the information about how to be competitive.

If you are going to send us cut flowers, here is specifically what you need to do, if you are going to send us cocoa, here is specifically what you need to do, footwear, et cetera. We have been going through sector by sector providing what are seminars and workshops.

Mr. ROYCE. Trade capacity building persistence, yes.

Ms. LISER. Yes. So we find that sector by sector approach has actually been working, and we have been bringing sellers of those products, producers of those products, to different United States trade shows, the Boston Seafood Show, the Fancy Foods Show, I just went to in New York, the Magic Show for Apparel, and the Africans are getting orders. So we believe that this is indeed contributing to the Africans being more competitive and to addressing some of the issues that came up in the competitiveness report.

Mr. ROYCE. Thank you. Let me also ask you about the sixth annual AGOA Forum which is set for Accra, Ghana. I think most of these forums have been quite successful. They are mandated by AGOA. I would like to hear, though, how you think they might be improved.

Ms. LISER. How it might be improved?

Mr. ROYCE. How they might be improved.

Ms. LISER. I think one thing that was done this year, I have to admit it was largely at the suggestion of the Ghanaian Minister of Trade, was that we not have three separate dialogues with the private sector in one place, the civil society in someplace else and the government officials in another place. This year for the first time we have got all of the players at the table.

Every panel that we have on every single issue and every single sector has on that panel government, both United States and African, private sector, both United States and African, and civil society brought in to make sure that we are all working together so that we know what has to happen. So I think one of the ways that we can improve is to increase that coordination across all of the AGOA stakeholders and on both sides.

The last thing I would say, though, is that the African ministers themselves need to make sure that they have their AGOA action plans well in place. The countries that have done the best under AGOA are the ones that have brought their private sectors in and where the private sector of civil society there have felt that they can tell the government exactly what they need in order to take advantage of AGOA, and they need to do their part as well.

Mr. ROYCE. I have one suggestion that I might add to that, and that is congressional participation.

Ms. LISER. Yes.

Mr. ROYCE. There was good congressional participation in the early forums. We traveled to Africa and we had forums here, and to be honest the administration has never been very interested in congressional participation despite the fact that AGOA was conceived here. As soon as I stopped pushing congressional participation it stopped, and I just point out that the timing chosen for the upcoming schedule in mid-July makes congressional participation really impossible given our schedule.

So I know you understand the importance of congressional buy in, so I was going to ask where the problem might be in that regard assuming you concur with me that this would be a wise course.

Ms. LISER. Well, the only thing I don't concur with, Congressman Royce, is that we haven't wanted you there. We have had the unfortunate problem that when we had the last AGOA Forum here we had it when you were not in session, and so we were criticized for that, but then when we have tried to do it when you are in session we have been also criticized, yes, for that, so we need to find a good time.

Mr. ROYCE. Well, let me just make this point to the administration. When we are in session that is a good time to have one here, when we are not in session that is a great time to have one in Africa rather than exactly the opposite.

Ms. LISER. Okay.

Mr. ROYCE. So I know you concur with me on this. I am just sending a message to the administration.

Ms. LISER. Right. Absolutely.

Mr. ROYCE. I thank you very much, and, Mr. Chairman, thank you.

Mr. PAYNE. Thank you very much, Mr. Royce. I think your point is certainly well-taken. Part of the reason we haven't been able to attend is because we thought you knew our schedule. However, there is a Section 14 of the AGOA Acceleration Act which actually requires the President to convene the Trade Advisory Committee on Africa. We incorporated that in Congress because we thought that it was important, but the provision also provides technical assistance and continual development of trade capacity in sub-Saharan Africa.

Now, we clearly believe that the Trade Advisory Committee could do a lot, could mean a lot for the private sector, the Executive Branch, and the international financial institutions. However, to our knowledge, this committee has not yet been formed or it has not met. I just wonder what is the hold up there?

Ms. LISER. Well, I guess I should start by apologizing that we have not come up to let you know. We thought that we had informed you that the Trade Advisory Committee on Africa has indeed been launched. We put out a Federal Register notice soliciting those who were interested.

Ambassador Schwab held the first meeting I believe in March 2007, and we have had a second meeting of the TACA as we call it, the Trade Advisory Committee on Africa, in June 2007. I believe a couple of our Advisory Committee members are here. We have 27 members of the TACA, and they range from those in the private sector, civil society. We feel very good about the people that are on the TACA.

Our chairman has recently been appointed, Mora McLean, of the Africa-America Institute. So we would be happy to come up and advise you more about what the TACA is doing. We have about three or four of the TACA members in fact that will be in Accra next week for the AGOA Forum.

Mr. PAYNE. Well, thank you very much. We certainly know it is a little late in coming. It took about 6 years. Ms. McLean, as the chairperson, you definitely have a competent chairperson, I am sure, and other members of the committee, also. As I think Congressman Royce and myself, we certainly feel that Congress could be of assistance.

When we talk about farm subsidies, the only way that is going to change is if Congress ever really steps up to the plate and does what it should do and tries to reduce these farm subsidies so that we could have a level playing field, but we are certainly not at that place yet. However, it would be important to include Congress.

We are allies. It was a congressional initiative that started AGOA, and so we would certainly like to be your partners. Let me just commend you, actually, for the fine job that you have done with AGOA. It is very clear that you are very passionate about it and are working very diligently in trying to make it successful. We do believe that we want to have more impact.

We think the agricultural products should be a big part since 75, 80 percent of Africa is rural. I think that we need to build the capacity for producers and we have to of course as you mentioned with the compacts, we are hoping to help with the infrastructure in some countries which would of course help access. So with that, I appreciate your comments and thank you so much. We will ad-

journal for recess for 20 minutes, and we will return with the second panel. Thank you very much.

Ms. LISER. Thank you very much, Congressman Payne.

[Whereupon, at 11:54 a.m., the subcommittee recessed, to reconvene at 12:14 p.m., the same day.]

Mr. PAYNE. We will reconvene the meeting in a few minutes. We might ask the witnesses to take their seats. Our second panel consists of three panelists, and our first witness will be Mr. Sindiso Ngwenya, who has been the Assistant Secretary General to the Common Market for Eastern and Southern Africa (COMESA) since June 1998. COMESA was established as an organization of free, independent, sovereign states which have agreed to cooperate in developing their natural and human resources for the good of all of their people.

Prior to his post Mr. Ngwenya served as COMESA's Acting Director for Transport and Communications. He has also been a railroad specialist for the National Railroads of Zimbabwe, a strategic planner for the Ethiopian Airways and a secondary schoolteacher. Mr. Ngwenya has written several articles in international publications, has written two books on transportation and communications in Africa, and received his degrees in economics in London from Birmingham University in the United Kingdom.

The second witness will be Ms. Katrin Kuhlmann, who joined the Women's Edge Coalition in July 2005 as senior vice president for global trade. At the Women's Edge Coalition, Ms. Kuhlmann has developed and led the Global Trade Program which advocates U.S. trade policies that address the economic needs of women living in poverty around the world.

Ms. Kuhlmann is actively involved in a coalition of nonprofit organizations, think tanks, and businesses that are working to create greater opportunity for developing countries through trade, preferential programs, and capacity building assistance. Prior to joining the Women's Edge Coalition, Ms. Kuhlmann held a position as a Director for Eastern Europe and Eurasia in the Office of the U.S. Trade Representative. While at USTR, Ms. Kuhlmann was involved in a number of negotiations, including discussions to bring Russia into the World Trade Organization. Prior to USTR work, she practiced law in New York and she holds a law degree from Harvard Law School and a BA in economics from Creighton University. She was a Fulbright scholar and studied in Germany in 1992. Congratulations.

I hear you are now "Mrs." I should have changed it; you were married this past weekend. Congratulations. I hope we didn't bring you here, disrupting the honeymoon. No? Okay. Thank you.

Our final witness is Mr. Stephen Hayes, who is president of the Corporate Council on Africa. Mr. Hayes was appointed president of CCA in August 1999. Immediately prior to his appointment, Mr. Hayes was a consultant to Winnington Limited of London, a private European holding company. He was involved in issues affecting the Africa oil trade as well as the development of agricultural products in Africa. He was also international projects advisor to the Washington-based firm of Cohen and Woods International, which specializes in United States/African economic and political relations. Prior to joining Winnington, Mr. Hayes was president of the

American Center for International Leadership and International Program and the director for AFS International Intercultural Programs.

A graduate of Indiana University with a master's degree in agricultural economics from Texas A&M, Mr. Hayes has also served as director of International Projects at the University of Denver. He served several years as a consultant for U.N. development programs and has chaired and directed more than 25 international conferences, the first of which began with the YMCA International Division back in early 1972 when he chaired a conference for youth around the world in Palacios, Texas.

At this time we will begin. I understand that Mr. Ngwenya has to leave, and so if you get up after your testimony, whenever you have to leave certainly feel free. We understand your conflict. Thank you very much.

STATEMENT OF MR. SINDISO NDEMA NGWENYA, DEPUTY SECRETARY GENERAL, COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

Mr. NGWENYA. Thank you, Mr. Chairman, Ranking Member. I thank the House Subcommittee on Africa and Global Health for the opportunity to testify on AGOA and how best to improve its impact on Africa's economic development, particularly on regional economic integration. I appreciate the leaders of the House and Senate who have labored tirelessly for this legislation including you, Mr. Chairman, and the ranking member.

COMESA has a long-standing relation with the United States, and are under pinned by the Trade and Investment Framework Agreement, TIFA. We are the largest of Africa's eight regional economic communities working under the leadership of the African Union and the New Partnership for Africa's development, NEPAD. We have 19 member countries from north, eastern, central and southern Africa accounting for half the population of Africa.

We have established various institutions to facilitate our trade in the region, and in December 2008 we will be launching the Customs Union. Since today's hearing is focused on how best to maximize AGOA's benefit for Africa's non-oil trade I will limit my comments to a few critical issues that warrant urgent attention if the legislation is to better meet its intended objective of enhancing trade and investment in Africa in a manner that improves peoples' livelihoods and reduces poverty in the continent.

AGOA is vitally important for the continued development of United States/Africa trade interests and the future of Africa's economic development. So far AGOA has made a positive impact on Africa's economies, particularly in textiles and apparel, where hundreds of thousands of jobs were created, especially benefiting women, and hundreds of millions of dollars have been invested.

This industry has suffered loss with the expiration of the WTO Multi-Fiber Agreement in January 2005. We therefore appeal for support to stimulate vertical integration and industry competitiveness and urge the Congress to make AGOA and all its provisions permanent to induce long-term investment in such industries. That permanency would be similar to what happened in 1984 when the United States Government had the Caribbean Basin Initiative, and

we all know the kind of investment that has flowed into that region as a result.

Whereas most past benefits of AGOA have been in the oil and gas industry accounting for more than 90 percent of the total value of AGOA imports into the United States and only a few countries have benefitted from the legislation we believe that the most effective means of raising livelihood standards for Africa's poor, particularly women and children, is by growing Africa's agricultural and rural sectors where three out of every four Africans live and work.

Use of trade to stimulate productivity growth, quality improvement and value addition for agricultural products would significantly boost incomes of the rural poor and allow them to invest better in their children's health and education and in their own health. So far Africa's agricultural exports through the years have been miniscule accounting for less than 1 percent of the total value of exports into the United States.

There is great potential to increase the value and diversity of agricultural exports from Africa into the United States. AGOA should be enhanced by including all products currently ineligible for AGOA duty-free treatment. This would expand benefits to include a number of agricultural commodities currently subject to tariff rated quotas where imports above the minimal amount often are subject to prohibitive duties.

Beyond oil, gas, textiles and fabrics Africa needs to diversify its AGOA exports to the United States, particularly in agriculture, agroprocessing and other kind of industries by resolving the critical supply and demand side constraints that limit competitiveness among farmers and businesses.

These constraints are largely due to high cost of production and marketing resulting from poor infrastructure, poor communication and expensive sources of energy in other imports and services, inadequate legal and regulatory systems, weak institutional and policy support structures, lack of public-private sector partnership that facilitate trade, poor input and product market systems, an inability to admit the U.S. sanitary and phytosanitary standards and lack of market information and knowledge about U.S. consumer preferences among other constraints.

Although the U.S. Animal Plant and Health Inspection Service, APHIS, authorization system has provisions for countries wishing to export commodities to the U.S. to do their own pest risk assessment the provision is redundant. There is no African country that has successfully conducted their own pest risk assessment and there is a shortage of specialist staff within APHIS to conduct them.

As we appreciate all the past assistance this is an area where we need further assistance, especially in developing national and regional capacity to conduct our own PRA and SPS based on the U.S. APHIS standards. On trade capacity building the lessons of AGOA show that market access alone will not automatically translate into dramatic economic gains for many African countries without explicit investment that build trade capacity to overcome this serious supply side constraints which impede productivity growth and trade enhancement in Africa.

Dealing with these constraints calls for significantly scaling up public and private sector investments from both local and external sources. The United States is the current leader in providing trade capacity building resources to Africa, but given the magnitude of the need, the current level of funding of \$394 million U.S. dollars for the financial year 2006 is inadequate.

The U.S. should increase its funding for trade-related capacity building assistance and leverage additional resources from other official bilateral and multiracial sources as well as the private sector. Mr. Chairman, we know of the support several African countries have received through the Millennium Challenge Account and view this assistance as complementing the objectives of AGOA.

For instance, the bulk of the MCA support is going toward strengthening policies and institutions that are critical for agricultural development and therefore ends up addressing some of the very same constraints that I have talked about. We support MCA principles of linking free market economy with democracy and governance, ideals that are shared with our Africa Union NEPAD engagement under the African peer-review mechanism.

We are certainly pleased that five MCC compacts have so far been signed with African countries, one of which is a COMESA member country which is Madagascar. Six other African countries, some of them in the COMESA region, are benefiting from the threshold programs to facilitate them to meet eligibility requirements. Mr. Chairman, allow me to single out one of the inherent limitations of the MCA, which is its inability to work on regional issues.

Often, trade and supply chain constraints do not end at national borders. The failure of African intraregional trade and comparative advantage is often due to absence of regionally integrated physical infrastructure.

Therefore, Mr. Chairman, we would request the U.S. to consider implementing some of the MCA compacts, especially those related to infrastructure, such as roads, communication, energy and so forth, on a regional level to promote regional integration and regional trade, and possibly the Congress consider modifying the mandate of the MCA to include regional economic communities (RECs) as beneficiaries of such funds.

COMESA and other RECs are willing to work with your committee and other relevant United States and African agencies to discuss how useful this can be and how best to implement it. The greatest future gains that will drive Africa's economic growth and development is not how much more trade it does with the United States, as important that is, but how much better African countries trade among themselves.

Significant economic gains will come from regional trade as neighboring countries dismantle trade barriers and competing policies as well as gain scale economies through harmonized trade standards and more integrated infrastructure. Currently, NEPAD is working with COMESA and other African regional economic communities to implement 12 infrastructure special development corridors, which are an effective way of attracting private sector funding for integrated regional infrastructure.

Promotion of private sector investments is very critical to future business growth and Africa's development. This has been neglected in the past. The United States and AGOA should enhance United States/Africa business relationships and linkages, particularly among small- and medium-sized enterprises, and encourage access of the private sector and value chains to access resources and skills that allow them to effectively participate in trade and trade policy decision making.

Lastly, Mr. Chairman, we request support from the United States for the implementation of the recent G-8 summit pledges for additional resources to Africa and the World Trade Organization's promise for additional funding under "Aid for Trade," specifically for increasing trade capacity building and easing supply side constraints that I have highlighted.

We further need support for increased public and private sector investments from the United States, Africa and other bilateral and multiracial donors in a more coherent and coordinated way that responds to clearly identified African priority needs and help to enhance the productive capacity of small holder farmers and businesses, improve the diversity, quality and competitiveness of African products and stimulate local, regional and global market development.

In reality, even with an improved AGOA, African countries' competitiveness, especially in agriculture, will indeed be adversely affected by developed countries' agricultural subsidies with lives of millions of small holder farmers who totally depend on these commodities at stake. Therefore, we appeal particularly to the U.S. and the EU to provide the necessary leadership to remove these subsidies and make the hard decisions to successfully conclude the Doha development round.

There are incredible benefits for everyone including developed countries compared to the status quo. Thank you, Mr. Chairman, and members of the committee for your attention.

[The prepared statement of Mr. Ngwenya follows:]

PREPARED STATEMENT OF MR. SINDISO NDEMA NGWENYA, DEPUTY SECRETARY
GENERAL, COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

INTRODUCTION

Mr Chairman, Ranking Member:

I thank the Subcommittee on Africa and Global Health for the opportunity to testify on AGOA and how best to improve its impact on Africa's economic development, particularly on regional economic integration. I also would like to compliment the great leaders of the House and Senate who initiated and have shepherded AGOA all along and been such great anchors for Africa's interests in this legislation.

COMESA has a long standing relation with the U.S. underpinned by a Trade and Investment Framework Agreement (TIFA). COMESA is a regional economic community (REC) made up of 19 countries in north, eastern, central and southern Africa accounting for about half of Africa's population (400 million). COMESA is the largest of the eight RECs working under the leadership of the African Union and the New Partnership for Africa's Development (NEPAD). Of the 19 member-countries, 13 are Least Developed Countries (LDCs). COMESA's market integration strategy is based on trade and investment. Its members strive to develop better integrated economies where business thrives as a result of standardized customs procedures, reduced tariffs, encouraged investments and improved infrastructure, to name just a few. COMESA's Free Trade Area was launched in 2000 with a combined Gross Domestic Product of more than \$200 billion is the largest and most dynamic free trade area in Africa. At the recent COMESA Summit in Nairobi, the Members agreed to launch the Customs Union on December 31, 2008. The also initiated the

COMESA Common Investment Area, which will facilitate cross-border and foreign direct investments, and also decided to establish a COMAID Unit, which will coordinate Aid for Trade at national and regional levels.

COMESA has all along supported the implementation of AGOA, a legislation that we consider a vital U.S. effort towards economic growth, and poverty-reduction in Africa, in line with achievement of a number of the Millennium Development Goals. The remarkable progress we have achieved so far under AGOA has helped create many jobs and generate substantial investments in Africa, including in key economic sectors within the COMESA region. That is why I am delighted to be here to share with you our views on what has works well and what could be usefully improved.

OVERALL AGOA TRADE PERFORMANCE

Mr Chairman

AGOA has played a crucial role of raising the profile of U.S.-Africa trade relations and providing a solid platform for political dialogue between the U.S. and AGOA-eligible African countries on trade matters. This political will has been instrumental for continuing economic dialogue and cooperation between the U.S. and Africa.

I note with great satisfaction the tremendous gains in two-way trade achieved between the U.S. and Africa since AGOA was enacted into law in 2000, and this is what we want to build upon. Both the U.S. and Africa have gained considerably from AGOA. In 1999, total U.S.-Africa trade was worth \$19 billion; this rose to \$71 billion in 2006. Total Africa's exports to the U.S. have increased from \$15 billion in 1999 to \$59 billion in 2006, while U.S. exports to Africa have doubled from \$6 billion to \$12 billion over the same time period.

COMESA region's share of the U.S. exports to the region was \$3.2 billion in 2005 and this rose to \$3.5 billion in 2006. However, its 13 AGOA-eligible member States' exports to the U.S. decreased from \$1.6 billion in 2005 to \$1.3 billion in 2006, a situation that we are trying to address and need your assistance with..

IMPROVING AGOA'S BENEFITS TO AFRICA: THE WAY FORWARD

We at COMESA and my colleagues in the other regional economic communities view this trade potential with the U.S. very favorably, and we would like to work with our governments, private sector and civil society to maximize the benefits of AGOA to our people.

Since today's hearing is focused on how best to maximize AGOA benefits for Africa's non-oil trade, I will limit my comments to a few critical issues that warrant urgent attention if this legislation is to better meet its intended objective of enhancing trade and investments in Africa in a manner that improves people's livelihood and reduces poverty in the continent:

Diversifying AGOA Benefits to African Agriculture

1. First, AGOA is vitally important for the continued development of U.S.-Africa trade interests, and the future of Africa's economic development. So far, AGOA has made a positive impact on African economies particularly in textile and apparel trade, where hundreds of thousands of jobs were created—especially benefiting women—and hundreds of millions of dollars have been invested in factories and related equipment. However, since the expiration of the WTO Multi-Fiber Agreement in January 2005, this infant industry has suffered great loss. We would like to appeal to the U.S. and other donors for assistance that would sustain the gains made in this industry, and preferably provide find ways to provide complementary public-private sector investments that would stimulate vertical integration and industry competitiveness. Congress should make AGOA and all its provisions permanent. This will serve as further inducement for long term investment.
2. It is important for AGOA to engage the primary industry that drives African economies—that is, agriculture. For most of Africa, as well as COMESA members, agriculture is the back-borne of our economies. The sector provides 30–40% of our GDP; employs about 70–80% of our workforce; and accounts for 25–30% of our export earnings as well as provide half of our industrial raw materials. The African Union and NEPAD have made agriculture a top priority when it comes to developing our economies, as outlined under the Comprehensive African Agricultural Development Program (CAADP) currently being implemented.
3. Secondly, most past benefits of AGOA have been in the oil and gas industry—accounting for more than 90% of the total value of AGOA imports into the U.S. Unfortunately, this industry has little impact on hunger and poverty alleviation,

and instead—in some parts of Africa—has been associated with frustration, tension and (in some cases) civil conflict. Without decreasing the importance of oil and gas for our economies, we believe that the most effective means of raising livelihood standards for Africa's poor—particularly women and children—is by growing Africa's agricultural and rural sectors, where the majority of the people live and work. AGOA must reach out more to African agriculture. Since three out of every four Africans live in rural areas and depend on agriculture sector for their livelihood, use of trade to stimulate productivity growth, quality improvement and value addition for our agricultural products would significantly boost incomes of the rural poor and allow them to invest better in their children's health and education, and in their own health.

4. Research has shown that investments in agriculture and rural sectors in Africa have great multiplier effects in the economy—with every dollar invested in agricultural production generating an additional \$2.30 for the economy (according to a study by the International Food Policy Research Institute). Africa's agricultural exports to the U.S. have so far been miniscule, accounting for less than one percent of the total value of exports, but they have a great potential not only to expand and increase in value but also to increase in diversity. South Africa is the major agricultural exporter to the U.S. under AGOA, together with Malawi and Kenya.
5. Third, AGOA should be enhanced by including products currently ineligible for AGOA duty-free treatment. This would expand benefits to include a number of agricultural commodities currently subject to Tariff Rated Quotas (TRQs) where imports above a minimal amount often is subject to prohibitive duties.
6. Currently, only a limited number of products and countries are benefiting from AGOA (in fact, out of the 38 AGOA-eligible African countries, five countries accounted for over 90% of the total African exports to the U.S. in 2005—and this is mostly oil-producers; similarly, five countries account for 90% of apparel exports), I suggest that the most important assistance needed is to help Africa's AGOA exports to the U.S., particularly in agriculture, agro-processing and other kinds of industries, by resolving critical supply- and demand-side constraints that face African farmers and businesses. These constraints are largely due to high cost of production and marketing resulting from poor infrastructure, poor communication and expensive sources of energy and other inputs and services; inadequate legal and regulatory systems; weak institutional and policy support structures; lack of public-private sector partnerships that facilitate trade; poor input and product market systems; inability to meet U.S. sanitary and phytosanitary standards; and lack of market information and knowledge about U.S. consumer preferences; among many other constraints.
7. Mr. Chairman, the U.S. support for Sanitary and Phyto-Sanitary (SPS) standards has been very helpful to our members. For example, the horticulture industry is important, not only in employment creation but also generating foreign exchange earnings as well as contributing to programs on wealth creation and poverty reduction. Presently, vegetable producers from the COMESA region export well over a billion U.S. dollars of fresh flowers, fruits and vegetables to the European market and within the region, with occasional exports to Australia. The produce shipped to these markets does meet all the relevant market quality standards as well as SPS requirements as demanded in the respective export markets. All the products are grown under strict codes of practice which ensure safe and environmentally acceptable products.
8. Producers in the COMESA region have for a long time been keen to access the U.S. market for the export of the full range of vegetables. Presently producers in the region are only allowed to export a limited number of products (three for Zambia and three for Kenya) to the U.S. market out of the more than 15 or so types of vegetables grown for the export market. The current list of approved commodities does not allow producers to increase exports to the U.S. as the region's business strategy is to export processed value-added products in form of multiple vegetable packs comprising a range of vegetables in a single pack and ready to eat. The few commodities currently approved do not match the required pack mixes. Accordingly, the export of vegetables to the U.S. from the COMESA region has been erratic and intermittent. Zambia, for example, exported some USD100,00 annually or so of snow peas in the 2000–2003 period, and this is presently discontinued as this modality is not attractive to export. This compares to Zambia's total fresh vegetable exports valued at \$40 million.
9. The COMESA region's interest in the US market dates back to April 1998 when a formal request for conducting Pest Risk Assessments (PRAs) was made by the

Zambian Government to the US Government. That request and that of other COMESA member states had pended for more than eight years until 2006 when two additional products were approved. The US government is commended for these latest approvals and it is hoped that the process will be hastened further. There seems to now have been loss in momentum in undertaking PRAs in the region. There are delays in completing the entire process from assessment to mitigation and rule making. Although the US Animal and Plant Health Inspection Service (APHIS) Authorization System has provisions for countries wishing to export commodities to the US, to do their own PRAs on the commodities based on the APHIS PRA guidelines and to submit the completed PRA report to APHIS for review, the provision is redundant as no African country has had the benefit of successfully conducting their own PRAs. In practice, it seems that only PRAs conducted by APHIS specialists stand a chance of being accepted. Yet there seems to be a shortage of specialist staff within APHIS to conduct PRAs. Overall, most producers in COMESA region feel that PRAs were an example of an SPS measure used as a non tariff barrier to trade.

10. It is noteworthy to highlight that COMESA member states have, over the years, performed extremely well in exporting fresh vegetables, fruits and flowers to the European Union. The growing and exporting of cut flowers has become one of the most vibrant and successful industries in the region. Kenya is one of the largest suppliers of quality cut flowers and fresh vegetables to the European Market with annual exports standing at over US\$700 million annually. Indeed, the region has the advantage of good weather, good light intensity and appropriate temperatures resulting in better quality products over those of competitors.

Trade Capacity Building is Key

11. The lessons of AGOA show that market access alone will not automatically translate into dramatic economic gains for many African countries without explicit investments that build trade capacity to overcome these serious supply-side constraints, which impede productivity growth and trade enhancement in Africa, especially for smallholder farmers and businesses. Dealing with these constraints calls for significantly up-scaling of public and private sector investments from both local and external sources, specifically targeted to trade capacity building. The U.S. is the current leader in providing trade capacity building resources to Africa, having disbursed approximately \$394 million in FY2006 (up by 95% from FY2005). But given the magnitude of the needs in Africa, especially trade-related infrastructure, this funding is inadequate. The U.S. should increase its funding for trade-related capacity building assistance and leverage additional resources from other official bilateral and multilateral sources, as well as the private sector.
12. Fourth, Mr. Chairman, we acknowledge the support we have so far received from the U.S., especially through the Millennium Challenge Account (MCA). We view the MCA as complementing the objectives of AGOA very well. For instance, the bulk of MCA support is going towards strengthening policies and institutions that are critical for agricultural development; and—therefore—ends up addressing some of these very same constraints that I talked about. We at COMESA, and indeed the whole of Africa, are very supportive of the MCA, which links free market economy democracy and governance principles and encourages governments to be committed to implementing reform measures for effective development. These same ideals are now enshrined in the Africa Union/NEPAD engagement under the Peer Review Mechanism. We are certainly pleased that five MCC compacts have so far been signed with African countries, one of which is a COMESA member—Madagascar—where funding is already flowing. Six other African countries are benefiting from threshold programs to facilitate their meeting eligibility requirements . . . four of these COMESA members namely Kenya, Malawi, Uganda and Zambia.

Importance of Strengthening Regional Markets and Trade

13. However, one inherent limitation of the MCA is its inability to work on regional issues. Often, trade and supply chain constraints do not end at national borders, and the failure of African intra-regional trade and the lack of understanding of the fundamentals of comparative advantage are often the result of absent regionally integrated physical infrastructure. Therefore Mr. Chairman, we would that the U.S. consider implementing some of these MCA compacts—especially those related to infrastructure such as roads, communication, energy, etc.— at a regional level to promote regional integration and regional trade. COMESA and other RECs are willing to work with your committee and other relevant

U.S. and African agencies to discuss how useful this can be, and how best to implement it. We encourage the U.S. to take a more regional approach in such programs as the MCA, and possibly even for an improved AGOA—which could focus on groups of eligible countries, for instance on specific trade capacity building issues not on a country-by-country basis but on a regional basis. This would be very innovative and important. Possibly the Congress should consider modifying the mandate of the MCA to include regional economic communities as beneficiary. The European Union is already negotiating new trade arrangements with Africa on a regional basis.

14. Fifth, it is true that the greatest future gains that will drive Africa's economic growth and development is not how much more trade it does with the United States—as important as that is—but how much better African countries trade among themselves. Significant economic gains will come from regional trade, as neighboring countries dismantle trade barriers and competing policies, as well as gain scale economies through harmonized trade standards and more integrated infrastructure. Currently, NEPAD is working with COMESA and other African regional economic communities on 12 infrastructure spatial development corridors, which are an effective way of attracting private funding for integrated regional infrastructure that would streamline African regional trade. For example, COMESA, EAC and SADC are collaborating, under Aid for Trade, in two corridors: (1) Durban Lumbumbashi Corridor (South Africa, Zimbabwe, Zambia and DR Congo); and (2) Mombasa Development Corridor (through Kenya, Uganda, DRC Congo and Sudan).
15. Sixth, an area that has received little attention in the past, and which is very critical to future business growth and development, is the promoting of private sector investments in Africa. Specific to AGOA's objectives, the U.S. should enhance U.S.-Africa business relationships and linkages, particularly among Small and Medium Enterprises, and encourage access of the private sector to resources and skills that allow them to effectively participate in trade and in trade policy decision-making. Creating effective and competitive supply chains will greatly depend on

The G-8, WTO and Aid for Trade

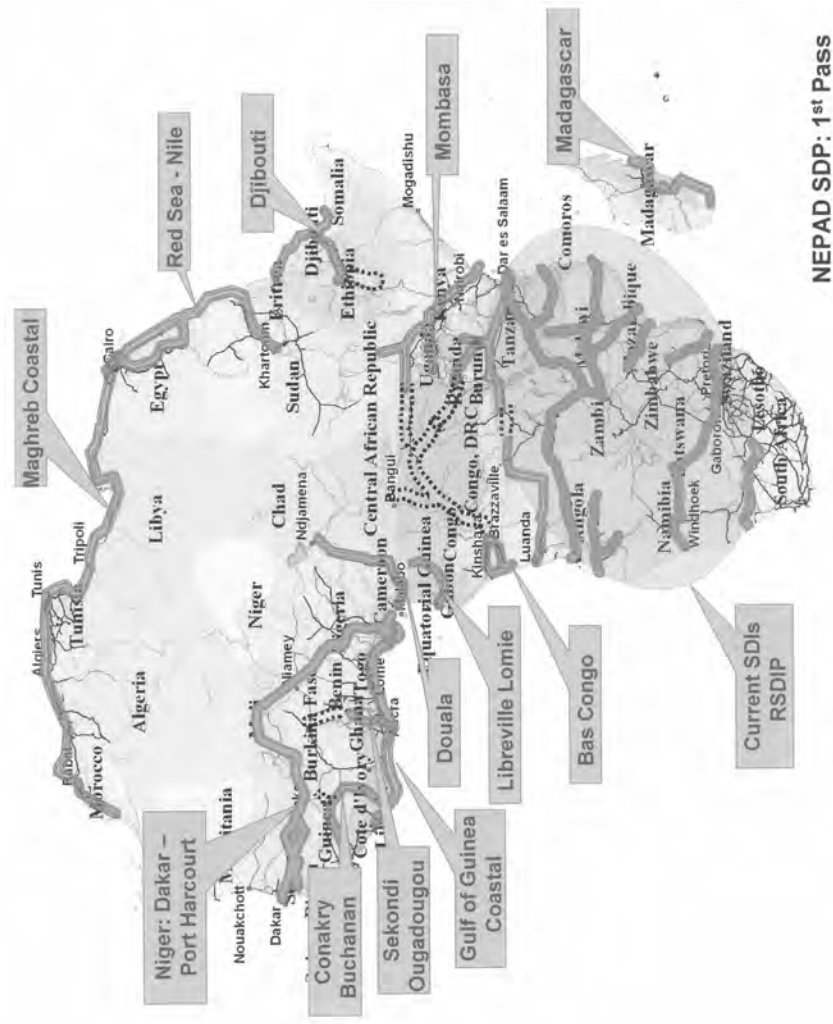
16. Seventh, Mr. Chairman, please allow me to make a few remarks about WTO, the G-8: We are cognizant that past G-8 Summits have pledged additional support to Africa, but this has not yet been forthcoming. In addition, discussions at the current WTO negotiations have promised development outcomes that include additional "Aid for Trade" resources, which would support the kinds of programs that would ease supply-side constraints for least developed countries, and improve access and participation in global trade negotiations.
17. It is time that AGOA and the on-going WTO's discussions on Aid for Trade funnel support towards significantly increasing public and private sector investments from the U.S., Africa and other bilateral and multilateral donors in a more coherent and coordinated way that responds to clearly identified African priority needs, and help enhance the productive capacity of smallholder farmers and businesses; improve the diversity, quality and competitiveness of African export products, and stimulate local, regional and global market development.
18. It is a reality that even with an improved AGOA, African countries' competitiveness, especially in agriculture, will continue to be adversely affected by the effects of subsidies—with the livelihood of millions of smallholder farmers and businesses that totally dependent on these commodities—greatly diminished. Therefore, we appeal particularly to the U.S. and the E.U. to provide the necessary leadership to make these promises a reality and make the hard decisions to successfully conclude this round of trade negotiations. There are incredible benefits for everyone, including developed countries, compared to the status quo.

CONCLUSIONS

Mr Chairman

As I conclude, I would like to say how pleased I am for the opportunity to address you about AGOA, and how we can make its effects better. COMESA is always open to share its experience on the ground to support your deliberations in the Congress and with the Administration, and we hope that the issues raised will receive favourable consideration.

Thank you.



Mr. PAYNE. Thank you very much. Ms. Kuhlmann.

**STATEMENT OF MS. KATRIN KUHLMANN, J.D., SENIOR VICE
PRESIDENT FOR GLOBAL TRADE, WOMEN'S EDGE COALITION**

Ms. KUHLMANN. Thank you, Mr. Chairman. Good afternoon. My name is Katrin Kuhlmann, and I am the Senior Vice President for Global Trade at the Women's Edge Coalition, a nonprofit, non-partisan organization dedicated to promoting economic policies that improve the lives of women in the developing world. Thank you very much for inviting me here today to discuss the effectiveness of the African Growth and Opportunity Act and the potential of United States trade policy to further improve the lives of Africa's poor, especially women.

The members of this committee know better than most the seemingly intractable nature of the problems facing so many Africans as they seek to raise their standard of living. Despite international efforts, Africa continues to suffer from disease, hunger and conflict. While home to 12 percent of world's population, Africa accounts for under 2 percent of world trade and the majority of its population lives on less than \$2 a day.

In Africa, as in the rest of the developing world, the effects of poverty are even more acutely felt by women. So often, it is the women who not only care for children and the sick, prepare the meals and look after the home, but also plant and harvest the family's food and spend hours gathering fuel and water. Amazingly enough where there are jobs to be had it is often these same women who go out and earn an income for their families. These women may hold the key to finally breaking the cycle of extreme poverty in Africa, but trade policy has to facilitate this change.

Increased access to markets is a necessary first step, and AGOA has been instrumental in creating jobs in some sectors. In apparel, for example, as we have discussed greater access to the United States market has generated thousands of jobs in sub-Saharan Africa, 45,000 in Swaziland, 26,000 in Lesotho and 30,000 in Kenya, and up to 90 percent of these jobs have gone to impoverished women who had few other economic opportunities. Studies have shown the one woman with a job in an export related field can support up to 15 family members.

AGOA has had some great successes but much more needs to be done. Here are four concrete suggestions.

First, AGOA and other preference programs should be reformed to give the world's poorest countries, including all AGOA-eligible countries and all other least developed countries complete access to the U.S. market, free of duties and quotas. While AGOA is the most comprehensive of all United States trade preference programs, it still limits trade in sectors like agriculture that are most important to Africa's poor. If Africa has a competitive advantage, it is in products like sugar and cotton, but tariff rate quotas on these and other agricultural products severely limit trade. One would look at Africa's agrarian economy and think that agricultural trade would be at least somewhat significant, yet the overwhelming share of trade under AGOA, 93 percent, is in oil.

Second, United States trade policy needs to focus more on capacity building in Africa and the world's poorest countries. Too often,

the poorest populations can't take advantage of the opportunities created by our trade programs. No matter how good their products, it is a pretty daunting task for small producers in Mozambique to figure out how to sell their products in Michigan. We need to help countries build up adequate trade and services infrastructure and navigate complex customs rules and sanitary and phytosanitary standards. We also need to focus more in development of human capital, so that producers reach potential markets and work environments are made secure and productive. For women, these programs can tip the balance between struggle for the entire family and a sustainable livelihood.

Third, preference programs should be made permanent and simplified through one set of clear criteria and rules. Whenever these programs—or special provisions like AGOA's third-country fabric rule, which has been so instrumental in creating apparel jobs—near expiration, investment is threatened and jobs are lost. As industries like the African apparel industry struggle to grow, permissive rules of origin, permanence and certainty will be essential to attracting and keeping investment.

Finally, any reform of United States trade preference programs must give special consideration to Africa to build upon the successes of AGOA to create lasting change. In addition to 100 percent duty-free quota-free market access and dedicated trade capacity building assistance, AGOA countries should receive more permissible rules of origin and increased attention from U.S. trade and development agencies.

Strengthening trade benefits for Africa and the world's least developed countries is not only the moral thing to do it is in our national interest. In a world becoming ever more interconnected, gripping poverty anywhere affects people everywhere.

This isn't a zero sum game. Doing more for Africa doesn't mean that our trade policies shouldn't also do more for least developed countries around the world. It is also important to remember that doing more for Africa doesn't come at the expense of United States competitiveness. Boosting labor standards in developing countries is a sure way to both mitigate concerns with the impact of freed trade here at home and improve lives around the world. Thank you so much for your time and for all that you have done to create and preserve AGOA and other important initiatives for Africa. I urge Congress to expand the benefits of AGOA and create greater opportunities to improve Africa's capacity to benefit from trade and would be happy to answer any questions you might have. Thank you.

[The prepared statement of Ms. Kuhlmann follows:]

PREPARED STATEMENT OF MS. KATRIN KUHLMANN, J.D., SENIOR VICE PRESIDENT
FOR GLOBAL TRADE, WOMEN'S EDGE COALITION

Good Morning Chairman Payne, Ranking Member Christopher Smith and honorable members of the House Subcommittee on Africa. Thank you for the invitation to participate in today's hearing on the African Growth and Opportunity Act (AGOA). My name is Katrin Kuhlmann. I am the Senior Vice President for Global Trade at the Women's Edge Coalition. Prior to assuming this position, I worked for six years at the Office of the U.S. Trade Representative (USTR) and for several years as a trade attorney in private practice. I would like to thank members of this committee, particularly Chairman Payne, for your efforts to support economic development in Africa through initiatives like AGOA.

As the leading nonpartisan organization shaping U.S. policy to benefit poor women worldwide, the Women's Edge Coalition is in a unique position to comment on how U.S. trade preference programs, like AGOA, have helped impoverished women in the developing world and, more importantly, to analyze what can be done to improve these programs so that the poorest and most vulnerable populations may take full advantage of them. Women constitute the majority of those living in poverty in the developing world, and jobs for women translate into support for entire families. Decades of research and experience have shown that women reinvest their income in better health, education and nutrition for their families. A job for one woman actually supports an entire household.¹ For example, it is estimated that one woman's job in the apparel sector supports up to 15 people.

Trade does hold enormous potential to create economic opportunities for impoverished men and women, and AGOA and other trade preference programs are examples of this principle in practice. In my travels working for USTR and the Women's Edge Coalition, I have seen firsthand the results of America's efforts to spur development in places of desperate need. I have met craftswomen with beautiful wares but no market to sell them in and factory workers fearful that low cost production in advanced developing countries will send them back to gripping poverty. For these women, secure access to the U.S. market can literally mean the difference between surviving and starving.

While AGOA has led to inspiring success stories, Africa's potential to benefit from trade has not been fully realized. Africa faces particular challenges, and the need to generate sustainable development in Africa becomes more pressing each day. I would like to highlight how AGOA and other trade preference programs have worked to the benefit of impoverished women and men, look at how AGOA has succeeded in creating economic opportunities for Africa's poorest, describe areas where AGOA, and other preference programs, have fallen short of their potential, and outline four areas in which we believe legislative modifications can make preference programs, including AGOA, even more effective.

AGOA AND OTHER U.S. TRADE PREFERENCE PROGRAMS BENEFIT IMPOVERISHED WOMEN AND MEN

Increased Trade Contributes to Economic Growth

Research shows that increased trade contributes to economic growth in a number of ways. First, international trade gives developing countries access to larger and wealthier markets. Demand for developing country goods, in turn, creates new, much-needed opportunities for employment. Increased trade also stimulates investment, which has a strong positive effect on growth and contributes to increased productivity.²

Trade is essential to the development of lesser-developed economies around the world, and preferential market access, as embodied in U.S. preference programs, is critical to actually increasing trade. Equally important, AGOA and the other preference programs established by Congress promote economic and legal reforms in countries around the world, to the benefit of stakeholders in the United States and abroad. The 1974 Generalized System of Preferences (GSP) legislation, on which AGOA builds, was a landmark in U.S. trade policy with its focus on helping poorer countries take advantage of the development benefits trade can offer.³ Since then, other region-specific unilateral preference programs, including AGOA, the Caribbean Basin Initiative/Caribbean Basin Trade Partnership Act (CBI/CBTPA) program, and the Andean Trade Promotion and Drug Eradication Act (ATPDEA), have expanded on GSP's goal of promoting economic growth, poverty alleviation, and reform in poorer countries through increased trade.

Of the regional U.S. trade preference programs, AGOA, which expanded GSP product coverage to include over 1,800 additional tariff lines, is the most comprehensive of all U.S. preference programs. The original AGOA legislation was signed by President Bush in 2000 and does not expire until 2015. In addition to expanding duty-free coverage for key products like apparel, AGOA also exempted beneficiary countries from competitive need limitations (CNLs), which terminate duty-free bene-

¹ Progressive Policy Institute, Trade Fact of the Week, February 21, 2007, available at http://www.ppionline.org/ppi_ci.cfm?contentid=254199&knlgAreaID=108&subsecid=900003, accessed on March 14, 2007.

² See Judith M. Dean, "Do Preferential Trade Agreements Promote Growth: An Evaluation of the Caribbean Basin Economic Recovery Act," USITC Office of Economics Working Paper, No. 2002-07-A (Washington, DC: USITC, July 2002).

³ For a brief history of the Generalized System of Preferences (GSP), see Assessment of the Generalized System of Preferences, General Accounting Office, Report 95-9 (November 1994), Chapter 1.

fits once a country's exports of a particular product reach a certain threshold. With the addition of Liberia on January 1, 2007, 38 countries in sub-Saharan Africa are now eligible to receive AGOA benefits. On December 20, 2006, President Bush signed AGOA IV, the Africa Investment Incentive Act. This latest AGOA legislation encourages the development of a sustainable apparel sector in Africa by extending through 2012 the third-country fabric provision, which has been critical in preserving apparel jobs in least-developed AGOA countries, and establishing duty-free benefits for African textiles from lesser-developed AGOA beneficiary countries.

Trade preference programs such as AGOA have directly led to much-needed job creation for women. In sectors such as many types of manufacturing and agricultural production, women do the bulk of the world's work. While U.S. preference programs have led to job creation for impoverished women in sectors such as apparel in Africa, jewelry production in Asia, and agricultural production in the Andean, African, and Asian countries, the potential of preference programs to generate growth is directly related to their ability to address women's work in the global economy. An important next step is to ensure that when jobs are created for women they are good jobs, with fair wages, decent benefits, and secure, safe and sustainable work environments. By encouraging both the creation of jobs for those living in poverty and, at the same time, further improving standards for protecting workers, AGOA has the potential to reach the poorest and most vulnerable members of society.

U.S. Trade Preference Programs Promote Legal Reform

Notably, AGOA and all U.S. preference programs include eligibility criteria aimed at promoting legal reforms in beneficiary countries. In many cases, these programs have provided an impetus for domestic reform and improvements in the rule of law. The mandatory and discretionary criteria in the preference program statutes, particularly the requirements that workers' rights be protected, have served as important leverage to bring about legal reform in beneficiary countries. The threat of losing benefits under one of the preference programs has often prompted countries to implement critical legal reforms, such as improvements to commercial laws or labor reform. Legal reforms are in the interest of both beneficiary countries and the United States and are essential components of the preference programs that ensure that their benefits reach the poorest members of society. By encouraging legal reform, preference programs also help set the stage for greater regional cooperation.

Importantly, U.S. preference programs have further helped promote the interests of women in developing countries through required labor criteria. While the existing labor requirements in all U.S. trade preference programs are not comprehensive enough and exclude critical protections such as protection against discrimination in the workplace, existing standards have encouraged governments to improve labor practices to the benefit of some of the poorest economic participants in these countries and help to ensure that the jobs created through preference programs are high quality and sustainable.

In addition to the standards included in the GSP legislation, which all AGOA countries must meet, AGOA country eligibility criteria require that countries adopt policies aimed at reducing poverty and increasing the availability of health care and educational opportunities.

THE IMPORTANCE OF AGOA AND ITS SUCCESS STORIES

Africa continues to warrant special attention, and U.S. trade and economic policies must address Africa's particular needs in order to achieve the greatest results. While the rest of the world looks on, Africa continues to suffer from disease, hunger, and conflict, which prohibit economic development from truly taking hold in the region. A staggering 41 percent of the African population continues to live on less than one dollar per day, and 200 million go hungry every day. In sub-Saharan Africa, where AGOA has created some notable success stories, 70 percent of the population still lives on less than 2 dollars per day.⁴ Experts estimate that one-fifth of the farmers in sub-Saharan Africa will die of AIDS by the year 2020 and that one million children will die of malaria every year.⁵ Women, in particular, continue to bear the burden of ongoing conflicts and the AIDS pandemic, with 12.2 million women infected with HIV in sub-Saharan Africa. In addition, women bear the double burden of caring for the sick and disabled.

In 2006, sub-Saharan Africa experienced an average economic growth rate estimated at 5.3 percent. Africa's economic potential, however, remains largely untapped. While home to 12 percent of the world's population, Africa currently ac-

⁴ Available at www.data.org/whyafrica, accessed on July 9, 2007.

⁵ *Id.*

counts for only 1.7 percent of world trade. Although average growth rates in Africa have improved, they remain lower than average growth rates for other developing countries.⁶ In addition, the economic growth that has occurred in Africa has not been evenly distributed across the continent. Some regions, like West Africa, have experienced strong growth due to recovery in the agricultural sector and positive industrial performance, yet others, like East Africa, continued to suffer from devastating circumstances like crop failure.⁷ If sub-Saharan Africa could increase its share of world trade by a mere one percent, economists estimate the region could earn \$70 billion more through exports each year, a sum several times greater than Africa's current foreign aid.⁸

AGOA Has Generated Notable Successes

The landmark AGOA program, which continues to form the “cornerstone” of U.S. trade and investment policy towards sub-Saharan Africa,⁹ has been instrumental to U.S. trade and development policy with Africa. AGOA has led to the creation of jobs, many of which have gone to impoverished women with few economic opportunities and has facilitated greater cooperation between the United States and African countries, and, importantly, among African countries themselves.

In 2006, U.S. imports from AGOA countries increased by 16 percent from 2005, reaching a total of \$44.2 billion.¹⁰ Excluding oil, other imports eligible for duty-free treatment under AGOA increased by 7 percent from 2005 to 2006, with several sectors of particular importance to women (footwear, agricultural products and cut flowers) experiencing increases.¹¹ In particular, AGOA has created enormous economic potential in the apparel and textile sectors. AGOA generated thousands of apparel jobs in sub-Saharan Africa—45,000 in Swaziland, 26,000 in Lesotho, and 30,000 in Kenya—and 75 percent to 90 percent of these jobs have gone to impoverished women.¹²

Despite AGOA's success in generating opportunities in this sector, the global apparel and textile market continues to be volatile, and many small developing countries, including those in Africa, have seen jobs move to larger advanced developing countries in the wake of the recent expiration of the Multi-Fiber Agreement (MFA). With apparel quotas for China set to expire at the end of 2008, immediate attention needs to be paid to further developing Africa's capacity to compete globally. Improvements in infrastructure and transportation networks will benefit this sector and the African economy as a whole; while improvements in job quality will improve the lives of workers and the long-term capacity, productivity and viability of the African apparel sector.

AGOA has also encouraged trade amongst AGOA beneficiary countries,¹³ although more could be done to facilitate regional cooperation. The current 35 percent value-added rule of origin, which applies to all products except apparel from lesser-developed AGOA beneficiaries, allows AGOA countries to count inputs from each other towards the value-added requirement, thereby encouraging local sourcing.

Success stories from the trade hubs in sub-Saharan Africa illustrate how AGOA has promoted economic policy reform, helped the private sector access markets, increased access to financial services, and facilitated investment in infrastructure.¹⁴ As part of the AGOA infrastructure, USAID funds and manages four trade hubs in sub-Saharan Africa, located in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. These hubs assist local African entrepreneurs in navigating U.S. trade policy and provides financial and technical assistance often necessary to export to the United States.

Several additional examples exist of how capacity building programs have directly generated results. In 2005, USAID and the government of Ethiopia teamed up to send several Ethiopian textile, garment and handicraft companies to attend a major sourcing convention in the United States. With the opportunity to promote their products in the United States and international markets, the Ethiopian companies

⁶Office of the United States Trade Representative, *2007 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act*, Washington, D.C.: United States Trade Representative, 2007, 21.

⁷*Id.*

⁸Available at www.data.org/issues/trade_detail.htm, accessed on July 9, 2007.

⁹Office of the United States Trade Representative, *supra* note 6, at 7.

¹⁰U.S. Africa Trade profile, available at www.agoa.gov, accessed on July 4, 2007.

¹¹“2007 AGOA Report Shows Growth in U.S.-Africa Trade.” Office of the United States Trade Representative. May 18, 2007.

¹²UN Integrated Regional Information Network.

¹³Office of the United States Trade Representative, *supra* note 6, at 29.

¹⁴“The African Growth and Opportunity Act: Achieving Success through the African Global Competitiveness Initiative, June 2006.” Available at www.agoa.gov, accessed July 4, 2007.

were able to secure \$10 million in orders. Through another program, following the devastating genocide in Rwanda, USAID invested more than \$10 million to rebuild the local infrastructure needed for Rwandan specialty coffee exporters to resume their business. As a result of this investment, the industry went from zero tons to 1,200 tons in 2004, and an estimated 40,000 farmers and their families have doubled their income as a result.¹⁵ Finally, increased access to the U.S. market through AGOA has allowed companies, like the Phenix Factory in Kampala, Uganda, to provide sustainable, higher-paying jobs because of the opportunity to export to the United States. The Phenix Factory, which employs 260 workers, produces high-quality, organic cotton apparel and is able to pay employees \$720 a year, a notable increase over the average annual income of \$245. These opportunities are a direct result of increased trade with the United States.

As these stories illustrate, the market access and trade capacity building generated by AGOA have been drivers of economic opportunity in Africa. To build on these successes, more can and should be done to ensure that trade with and within Africa reaches its potential.

WHERE AGOA HAS FALLEN SHORT

According to the World Bank, “as producers, 70 percent of all Africans—and nearly 90 percent of their poor—work primarily in agriculture As consumers, all of Africa’s poor—both urban and rural—count heavily on the efficiency of the continent’s farmers.”¹⁶ This is especially true for women, who dominate the agricultural sector throughout Africa, and are largely in charge of securing food for their families.

Despite the importance of agriculture to Africa’s livelihood, AGOA limits trade in a number of agricultural products, and, as a result, agricultural trade under AGOA continues to be minimal. While the reality of the African economy would suggest the possibility of greater trade in agricultural products, exports under AGOA have been concentrated in petroleum products and oil, which together make up 93 percent of trade under the program. Non-oil exports under AGOA totaled only \$3.2 billion in 2006.¹⁷ Moreover, while the majority of African countries are significant agricultural producers, only a few countries—Nigeria, Angola, South Africa, and the Republic of Congo—have captured the lion’s share (nearly 85 percent) of preferential trade under AGOA. Of these countries, only one, Angola, is amongst Africa’s poorest.

While apparel has been a relative success story under AGOA, the sector remains volatile for African countries and other smaller developing countries. As the World Bank and International Monetary Fund have noted, the increased global competition that followed the demise of the global system of apparel quotas with the expiration of the MFA Agreement on January 1, 2005 has led to declining values for African exports in this sector.¹⁸ Despite preferential access under AGOA and a liberal rule of origin for Africa’s least developed countries (LDCs), apparel jobs have already left Africa to move to large advanced developing countries. Other African countries have not captured these shifts in trade, nor have other smaller, lesser-developed countries. It is important to preserve and improve the vital apparel jobs that have been created under AGOA, yet the ability of this sector to continue to grow will depend upon investment and economies of scale. With the looming expiration of textile and apparel quotas for China at the end of 2008, a valid and relevant concern remains for the fledgling apparel and textile sectors in Africa, and more needs to be done to ensure competitiveness in these industries.

Experience has shown that increased trade can create economic opportunities for impoverished women and men, but barriers to accessing markets, lack of capacity, and supply-side constraints are particularly pronounced in Africa and have hampered economic development. Any markets, including those only minutes away, can be nearly impossible to access due to inadequate roads, poor services and energy infrastructure and lack of transportation networks. The inability to collect, analyze and disseminate market information, such as market prices, makes it difficult for small and large producers in Africa to compete locally, regionally and globally. Further, inefficient customs procedures and complex sanitary and phytosanitary (SPS) standards often delay the shipment of goods, making it particularly challenging for

¹⁵ *Id.*

¹⁶ Eleni Z. Gabre-Madhin and Steven Haggblade, “Successes in African agriculture : results of an expert survey,” Washington, D.C.: International Food Policy Research Institute, 2001.

¹⁷ Of these products, transportation equipment was significant, growing by 81 percent to \$495.3 million of the \$3.2 total, due to imports entirely from South Africa. Mineral and metal imports also increased by 21 percent to \$596.3 million.

¹⁸ Office of the United States Trade Representative, *supra* note 6, at 22.

African producers to compete in perishable products, such as flowers, fruits and vegetables.

Weak labor laws and poor enforcement of existing labor standards have prevented the poorest in Africa from fully enjoying the benefits of trade. Studies show that respect for basic international labor standards have a positive effect on the long-term income and economic growth of countries. Both strengthening labor requirements to include all core International Labor Organization (ILO) standards, including prohibitions against forced and child labor, the rights to association and collectively bargaining, and protections against discrimination in the workplace, and increasing capacity building assistance would help ensure that the millions living in poverty in Africa see the benefits of AGOA and would enhance AGOA's overall ability to generate sustainable reform.

AGOA and Women's Untapped Economic Potential

Throughout the developing world, women face the greatest challenges to participating in global trade. Women are among the most impoverished, most vulnerable economic participants, precisely those whom the preference programs should help most. This is particularly true in Africa, where women represent an enormous untapped potential for the economic development of the region. Though women provide most of the continent's labor, their effectiveness is hindered by inability to access resources like financing, land, and education and an inability to exercise their legal rights.¹⁹ Studies have noted that obstacles to women's participation in the private sector in Africa have hindered the development, productivity and competitiveness of industries on the continent.²⁰ In Africa, as in the rest of the world, women comprise the majority of the workers in the informal sector, a point of entry into the formal sector.²¹ According to the Africa Commission Report, women have the greatest potential to contribute to economic development in Africa.²² In order to tap into this potential, programs need to be put in place to build women's capacity and assets and to link women to markets.²³ For the craftswomen struggling to access markets or the workers who hope that they will not lose their jobs, capacity building and skills training can make the difference between a sustainable livelihood or ongoing struggle for the entire family. Human capacity building and programs aimed at improving labor standards and their enforcement can mean the difference between a job that lifts a woman out of poverty and a job that keeps her there.

ELEMENTS OF THE CURRENT SYSTEM OF U.S. TRADE PREFERENCE PROGRAMS THAT HAVE LIMITED POTENTIAL FOR THE WORLD'S POOREST COUNTRIES

Notwithstanding the positive impact of existing preference programs like AGOA, these initiatives can and should be improved. While poverty reduction through increased trade is the primary goal of AGOA and all of the other U.S. preference programs, the programs do not fully achieve this aim because, as the example of the African agricultural sector illustrates, some very poor countries do not currently receive preferences for the products in which they have export potential, which are exactly those products that would help the poor the most. This is true of all countries covered by regional preference programs, including sub-Saharan Africa, and for the 15 least developed countries (LDCs) like Bangladesh and Cambodia that are eligible only for GSP and not for one of the regional preference programs. Despite AGOA's successes, sub-Saharan Africa continues to have poverty levels that warrant further special attention to ensure that sustainable development occurs. In addition, many countries simply lack the technical capacity to take advantage of potential benefits. Finally, all programs are temporary in duration and include different and onerous rules and eligibility requirements that make it difficult for small and large producers to navigate successfully.

While AGOA is the most comprehensive U.S. preference program, products exclusions, including limitations on agricultural exports subject to tariff-rate quotas, continue to hinder development of vital sectors in Africa. Products that are currently subjected to tariff-rate quotas under AGOA include sugar, cotton, some dairy, peanuts and beef, with small quota limits for the amount of goods that can enter the United States duty-free. Many of these products, including cotton and sugar, could be produced competitively by some of the poorest countries in Africa if prohibitive tariffs, effective once the amount imported into the United States exceeds a certain quota, were eliminated under a duty-free quota-free program.

¹⁹ Bardasi, *supra* note 13, at 70.

²⁰ *Id.*

²¹ Bardasi, *supra* note 13, at 81.

²² The Commission for Africa 2005.

²³ Bardasi, *supra* note 13, at 70.

Beyond product exclusions and limitations, several other aspects of the preference programs impede their effectiveness in promoting trade with and development in less-industrialized developing countries. Short extensions and frequent expirations under preference programs create disincentives for long-term investment. This has greatly undermined the effectiveness of the programs in promoting trade and investment in marginal, developing countries. Simply put, investors and importing firms attracted by the opportunity of preferences will not invest in or source from countries if the status of the preferences is in doubt. In contrast, where preferences are stable, trade and investment have flourished. For example, U.S. preferences for the Caribbean and Central American countries, which are permanent and have been in effect continuously since 1984, have had a significant impact on investment.²⁴ While AGOA will not expire until 2015, and the third-country fabric provision, which allows AGOA beneficiary countries to source fabric from any country, will be in place until 2012, making AGOA permanent now could create the stability necessary for long-term investment in a number of industries.

Proposed Changes to Broaden the Benefits of U.S. Trade Preference Programs

We reiterate our strong support for the objective of promoting international economic development through trade. AGOA has promoted economic development and growth in low-income and least developed countries in Africa, and these benefits should be preserved. More could be done, however, to meet the challenges described above and ensure that AGOA reduces poverty to the greatest extent possible. We, therefore, believe that a more generous, comprehensive, and certain U.S. trade preference program, that includes enhanced provisions for AGOA-eligible countries, would increase opportunities for Africa and developing countries around the world.

In order to achieve the objective of broadening the use of preference programs, we propose that future legislation should include the following elements: (1) grant 100 percent access to the U.S. market (duty-free quota-free) for all sub-Saharan African countries currently covered by AGOA, LDCs, and low-income countries vulnerable to natural disaster and other shocks; (2) address Africa's unique needs through special benefits for sub-Saharan Africa ("AGOA Plus"); (3) provide for integrated and targeted trade capacity building assistance; and (4) consolidate current U.S. trade preference programs into one simple, permanent program with one set of comprehensive eligibility criteria and rules.

Provide 100 Percent Duty-Free, Quota-Free Access for the Poorest Countries

For the poorest countries in Africa and around the world, complete preferential market access would produce the greatest gains at very little cost. Comprehensive (i.e. 100 percent) access to the U.S. market, free of both duties and quotas ("duty-free quota-free"), would be of great significance, both in the context of ongoing World Trade Organization (WTO) Doha Development Round talks and as an improvement to the current system of U.S. preference programs. Careful research by the International Food Policy Research Institute (IFPRI) shows that if the United States were to extend 100 percent duty-free quota-free market access to LDCs, significant potential gains in export volume and real income could result for several countries, including Madagascar and Malawi.²⁵ IFPRI's study also shows that 100 percent duty-free quota-free treatment for all LDCs would overall result in *increased*, not reduced, export volume and real income gains for sub-Saharan African LDCs and would have almost no negative impact on U.S. producers of sensitive products, with some U.S. producers, such as cotton producers, showing gains through this increased access for LDCs.²⁶

Further, IFPRI has found that if duty-free quota-free preferential market access moves forward multilaterally, and if all OECD countries were to implement a Doha package that included 100 percent duty-free quota-free access (instead of 97 percent), potential real income gains for all countries could increase by as much as 26 percent, with over half of these supplemental gains, or a seven-fold increase in real income, experienced by LDCs.²⁷ Realizing these gains, however, depends upon multilateral leadership and a clear commitment to implement 100 percent duty-free quota-free market access for the poorest countries in the world.

Elimination of tariff rate quotas on sugar could lead to enormous gains for some of Africa's poorest countries, including Malawi, Mozambique, Uganda and Zambia. Currently, all LDCs are allowed to export a combined total of only 50,000 metric

²⁴ Dean, *supra* note 2, at 5.

²⁵ Saswati Bora, Antoine Bouët and Devesh Roy, International Food Policy Research Institute, *Research Brief: Marginalization of Africa in World Trade* (May 2007).

²⁶ *Id.*

²⁷ *Id.*

tons of sugar annually to the United States, even though the United States is a deficit producer of sugar. Of the 34 AGOA-eligible countries, 26 export sugar, and, of the 26, only 10 have any share of the U.S. sugar quota. Further, allocation of the sugar quota is based on outdated data and incorrect assumptions about global production, which translates into no potential for market access for countries that could be competitive now but were not between 1975–1981. This system has absurd results for Africa and means that 16 very poor African countries face burdensome tariffs when shipping any quantity at all of sugar to the United States. These policies also inhibit the ability of African LDCs to expand into the more valuable business of value-added processing. While the current system allows Africa to produce 70 percent of the world's cocoa, as soon as that cocoa is processed and combined with sugar it is subject to high tariffs and restrictive quotas when entering the U.S. market. A comprehensive duty-free quota-free initiative that corrects these inequities would unlock some of the greatest potential development gains for Africa.

Similarly, the current tariff rate quota system restricts the export of cotton, which could be produced competitively by some of the poorest countries in Africa. While Benin, Burkina Faso, Chad, Mali, Mozambique, Malawi, Senegal, Tanzania and Zambia (all with a per capita income below \$900) are able to produce cotton competitively, the U.S. quota limits the amount of cotton that can enter duty-free from these countries. Under the current system, Tanzania, Burkina Faso and Zambia had 103,000 metric tons, 46,000 metric tons and 10,000 metric tons of cotton, respectively, that they were unable to export anywhere. Because cotton supports the livelihoods of over 10 million people in West and Central Africa, eliminating the current tariff rate quota system could alleviate poverty and lead to essential economic growth and development for these countries. For many of the farmers in Western and Central Africa, cotton is the only cash crop; in Benin, Chad, Mali and Burkina Faso it accounts for between 30 and 60 percent of all exports. Under the current tariff rate quota system, any cotton entering the United States over and above the quota of 76,545 metric tons is subject to a high tariff of 31.4 cents/kg, and some types of cotton face 4.4 cents/kg or 1.5 cents/kg tariffs even when they are within the quota.

Further, WTO discussions of duty-free quota-free have focused on LDCs, yet non-LDC sub-Saharan African countries and other impoverished countries such as Sri Lanka which are only marginally better off and remain vulnerable to economic shocks or natural disasters remain in dire need of the economic development that preferential market access can generate. Accordingly, duty-free quota-free treatment should apply not only to all LDCs but to vulnerable countries and all of AGOA-eligible sub-Saharan Africa as well.

Special Benefits for Africa: “AGOA-Plus”

As outlined above, Africa continues to warrant special attention, and a broad and comprehensive vision for U.S. trade and development policies requires enhancing the benefits of AGOA. Given the particular situation facing sub-Saharan Africa, additional market access should be created for countries in the region in order to build on the successes of AGOA to create lasting, sustainable change in the African economy. To encourage regional trade within Africa, these benefits should exist for all African countries, not just LDCs.

Under special provisions for sub-Saharan Africa (“AGOA-Plus”), AGOA countries should receive market access free of quotas and duties for all products and additional benefits beyond those available to other LDCs and vulnerable countries, including a special rule of origin with a lower value-added threshold. Apparel-producing AGOA LDCs should be allowed to continue to use the existing third-country fabric rule. AGOA Plus also should include a base amount of targeted aid for trade funding for eligible sub-Saharan African countries, *beyond current levels*, with a special emphasis on trade-related infrastructure deficiencies. U.S. trade and development agencies should be required to implement procedures to ensure that their activities have a positive effect on industry, growth and employment in sub-Saharan African beneficiary countries.

Provide Targeted Trade Capacity Building Assistance

As the Trade Hub success stories from Ethiopia and Rwanda noted above indicate, capacity building assistance is essential to improving trade opportunities for Africa. Due to trade capacity constraints in poor countries, many developing countries, especially in sub-Saharan Africa, cannot take advantage of the opportunities created by U.S. preference programs. Current U.S. trade capacity building assistance for sub-Saharan Africa reached \$394 million in 2006 and represented a 95 percent in-

crease from the year before.²⁸ In 2005, the United States also implemented the five-year, \$200 million African Global Competitiveness Initiative (AGCI) to focus more directly on increasing U.S. investment in Africa and improving the competitiveness of private sector efforts on the continent. AGCI funds the four US Trade Hubs for Global Competitiveness.

A number of commitments to increase trade capacity building assistance have been proposed, yet few have been implemented. The G-8 has committed to increasing Aid for Trade funding to \$4 billion by 2010 for *all* developing countries. In 2005, at the Hong Kong WTO Ministerial conference, the United States announced that it would double its trade capacity building assistance funding from \$1.3 billion in 2005 to \$2.7 billion annually by 2010. While these commitments are promising, they have not yet made reality and, even if implemented, do not go far enough to address developing countries' needs. The Commission for Africa recommends that sub-Saharan Africa alone needs \$10 billion per year just to develop necessary infrastructure,²⁹ which supports the need for both enhanced trade capacity building funding and greater attention to Africa from multilateral donors such as the World Bank.

The majority of what is currently counted as U.S. trade capacity building assistance for Africa is provided through the Millennium Challenge Corporation (MCC), which innovatively bases eligibility for funding on comprehensive reform criteria and includes requirements for government consultations with civil society in the compact development process. While the MCC has promised \$276 million for Africa, only a portion of the committed amount has been disbursed. In addition, the MCC currently focuses on individual compacts and does not evaluate programs based on their ability to support closer regional cooperation. In order to address Africa's capacity building needs, funding for the MCC should be continued and increased; however, since not every African country is eligible for MCC funding and the MCC is not currently designed to address all of Africa's capacity building challenges, additional, significant sources of trade capacity building assistance are desperately needed.

Not only is increased funding for trade capacity building assistance programs necessary to ensure the development and viability of African industry, AGOA's benefits could also be enhanced by better linking specific trade capacity building programs to the types of market access provided under AGOA. Although market access under AGOA and the other preference programs needs to be expanded to industries of particular importance, current preferences could be made more meaningful through linked capacity building. For example, lack of capacity building programs and training on AGOA contribute somewhat to the concentration of AGOA trade in petroleum products. If producers of other products were better assisted to utilize the existing program, trade in other products could increase. For example, women producers of handicrafts could benefit from such assistance.

All African countries and other developing countries around the world, need additional targeted capacity building in order to help these countries fully realize the benefits of the preference programs. Training programs to develop management skills and technical expertise and workshops and other tools to navigate the complex rules and regulations of international trade and the preference programs should be developed so that impoverished women and men can benefit from market access opportunities. Trade capacity building assistance would also help implement improvements to customs and trade facilitation, technical standards and sanitary and phytosanitary standards (SPS), all of which are necessary for economic growth. Improving trade-related infrastructure, including access to financial services and telecommunications, and hard infrastructure, including roads, in a manner consistent with addressing the different needs of women and the rural poor would enable many to access larger markets and a greater range of economic opportunities.

Further investment in human capacity development is also needed, and, along with more comprehensive labor standards in preference programs, could greatly contribute to improvements in quality of life for workers around the world. A portion of U.S. trade capacity building funds should be specially set aside to fund programs geared towards helping countries comply with labor standards required to stay eligible for AGOA and other preference programs. Assistance is needed to help the countries reform labor laws or make progress toward implementing standards. These programs could expand the capacity of labor ministries, bring in international expertise to help train factory managers, fund worker education programs, help upgrade facilities, set up monitoring mechanisms to ensure compliance with standards, im-

²⁸ Office of the United States Trade Representative, *supra* note 6, at 10.

²⁹ DATA, "The DATA Report 2007," (May 2007), available at <http://www.thedatareport.org/>, accessed on July 11, 2007.

prove judicial capacity to prosecute violators, and implement case management systems.

Consolidate U.S. Trade Preference Programs Into One Permanent Program With One Set of Clearly Defined Eligibility Criteria

The success of AGOA and all of the other U.S. preference programs in creating opportunities for the poor is undermined by the temporary nature of the programs, inconsistent criteria for termination of benefits, and inconsistent and restrictive rules of origin. Such difficulties impair the ability of beneficiary countries to promote long-term investment. One set of comprehensive, clearly defined eligibility criteria, with comprehensive protections for workers including protection against discrimination in the workplace, would help ensure that the benefits of the preference programs reach all members of society and that the jobs created under these programs are good jobs. In order to fully assess how developing countries can benefit the most from trade policies like the preference programs, the U.S. government should also put in place a comprehensive development review.

AGOA, as outlined above, has successfully led to the creation of desperately-needed jobs, many of which went to impoverished women, through a permissive rule of origin on which many of the AGOA apparel exporters rely (the third country fabric rule). These jobs, however, have been threatened each time the third country fabric rule neared expiration. As industries like the African apparel industry and other budding industries struggle to grow, permissive rules of origin, permanence, and certainly will be essential if much-needed investment is to be attracted.

CONCLUSION

In closing, I thank the Committee again for the opportunity to present this testimony on such an important issue. The situation of women around the world highlights the potential of trade preference programs like AGOA and provides an illustrative case study for reforming and improving these programs as well. U.S. preference programs have helped create millions of jobs, both directly and in related industries and services, promoted rule of law, and fostered a more skilled and better protected workforce. These positive results would be made even more significant through the establishment of a more generous, comprehensive, and certain system of U.S. trade preferences with enhanced benefits ("AGOA plus") for Africa that enabled developing countries to benefit as much as possible from global trade. Implementing such a program could provide potential life-changing benefits for the world's poorest, including impoverished women in the developing world. Ultimately, it is in the interest of global stability and economic development to ensure that the benefits of trade and globalization are spread more equitably throughout the world.

Mr. PAYNE. Thank you. Mr. Hayes.

**STATEMENT OF MR. STEPHEN HAYES, PRESIDENT, THE
CORPORATE COUNCIL ON AFRICA**

Mr. HAYES. I am grateful for the opportunity to testify before you today on the subject. Our discussion is one in which CCA and many others have worked to build and support for many years. There was in fact in the first few months of my current tenure as President of the Corporate Council on Africa, CCA, became engaged in the successful fight for AGOA.

That was nearly 8 years ago. My organization has been one of the organizations involved in every fight for AGOA and its subsequent amendments designed to improve AGOA's effectiveness in creating greater economic development for Africa through increased United States/Africa trade. Eight years ago AGOA was championed as the greatest piece of legislation ever passed on behalf Africa, and at that time I think this was true and it still remains a seminal act of legislation that marked a new era of relations between the United States and Africa.

It was also in many ways one of the finest examples of bipartisanship in foreign policy that we have seen in some time. Initiated under President Clinton with key support from Republicans in the

House and Senate it was continued and enhanced by President Bush often with key support from the Democrats in Congress.

Now, we see it continuing to receive the highest level of support from the United States Government as evidenced by the decision of the Secretary of State to address the AGOA Forum in Dakar in 2005 and now the AGOA form in Accra to be held next week. The fact that Secretary Rice would place such emphasis on AGOA given all the other international challenges we now face can all be praised and appreciated by all citizens of the United States and the nations of Africa as proof of a most serious and continuing commitment to Africa.

Yet despite this unwavering commitment few will deny that AGOA has yet to meet our expectations and African hopes that shown so brightly 8 years ago. It has certainly improved the lives of hundreds of thousands if not millions. For some countries AGOA has made a big difference to their economies and few will deny this as well, but the fact is under AGOA when energy is taken out of the equation AGOA has only grown by 3.6 percent from 2003 through 2006.

I do not believe however that this means that AGOA is a failure, nor that there is some inherent weakness in the legislation. The reality is that economic change will take time and we should take a long review of the tools needed to bring about significant economic development. AGOA should not be seen as a pendency as it was viewed by many at the time of its passage.

Instead, it must be seen as one of several essential parts needed to successfully increase development in Africa and United States trade. In that regard the administration of President Bush deserves high marks for the creation of the Millennium Challenge Corporation and its leadership in the fight against HIV/AIDS and other deadly diseases in Africa.

The administration has done a great deal for Africa and few can truly deny that as well. However, again, AGOA cannot reach its potential unless we address the issues of infrastructure development in Africa, focus on the product lines that Africa does produce and sell, especially related to agribusiness, and increase the availability of financing so that businesses in Africa can develop and international businesses can more easily invest in Africa.

We must also address the issue of capacity building as my fellow witnesses have both accented. Without addressing these issues even the most perfect piece of legislation will not succeed. I think, also, with the development of the Africa Union and the NEPAD Secretariat we need to more closely align African and United States interests. One example of aligning our interests with those of Africa would be to synchronize legislation with Africa's Comprehensive Africa Agricultural Development Program, or CAADP.

The program is one that actually brings the private sector of the United States more into play in developing the African agriculture sector. In each issue the role of the private sector is vital. It is the private sector that must ultimately build the infrastructure with the support of public financing. It is the private sector that must develop the agriculture systems as the public sector provides the market accessibility.

It is the private sector that must gain greater access to financing that can be more readily provided by the public sector. Finally, it is the private sector that can provide the training to increase capacity throughout Africa, but it cannot do so without the encouragement of the public sector. For the private sector to become a vital part of African economies the public sector at the international and national levels in Africa as well as the United States must support those initiatives.

There must be greater public-private cooperation if Africa is to develop and the spirit of AGOA is to be fulfilled. We need a more comprehensive approach to Africa, but both the private and public sectors must be equal partners if we are to succeed. I believe it is in the vital interest of the United States as well as the nations of Africa that we do succeed. Thank you, Mr. Chairman.

[The prepared statement of Mr. Hayes follows:]

PREPARED STATEMENT OF MR. STEPHEN HAYES, PRESIDENT, THE CORPORATE
COUNCIL ON AFRICA

Mr. Chairman,
Distinguished Members of the Committee, Fellow Witnesses
Distinguished Guests:

INTRODUCTION

Thank you for inviting me to present before you this morning and to provide the private sector perspective on the African Growth and Opportunity Act's (AGOA's) benefits to Africa. The subject of today's discussion—analyzing the U.S.-Africa trade relationship beyond the oil and gas sector—is appropriate. While the U.S.-Africa energy partnership is of vital and growing strategic importance, such partnership cannot be sustained and made secure if it is not buttressed by sustainable development in key sectors such as agriculture and infrastructure, for example, on which the majority of African country citizens depend for their livelihood. Diversification has rightly come to be recognized as an essential element of AGOA's present and future success. Indeed, together with the Government of the Republic of Botswana, I will be co-chairing a working session on *Strategies for Diversifying the African Manufacturing Sector* at the sixth annual AGOA Forum in Accra, Ghana from July 18 to 19, 2007.

Non-oil AGOA trade accounted for just 8 percent of total AGOA trade in 2006. Non-oil AGOA trade was however up 8.9 percent over the 2005 position, reaching a total of \$3.2 billion in 2006. While this is encouraging, non-oil AGOA trade has not as yet rebounded to the 2004 position, when it totaled \$3.5 billion. Quite obviously, the 2005 decline in non-oil AGOA trade was largely due to the inability of African countries to successfully compete with fast-growing competitors such as China after the ending of quotas on textiles and apparel under the Multi-Fiber Arrangement at the World Trade Organization. Textile and apparel producing African countries have shown some resilience over the past year but these gains have not matched the trade numbers of previous years. Surely, textiles and apparel trade has generated much needed jobs in the African market. At the same time, however, it should be clear to all of us that we need develop our non-oil trade beyond this highly competitive sector. I believe that AGOA will not meet the hopes many had in its passage and subsequent amendments until we address the challenges of Africa in a more comprehensive manner. I especially believe we must address agribusiness and infrastructure development, capacity building, and financing if AGOA is to meet its goals. I also believe that we must develop a more comprehensive means to allow the US private sector to more readily engage itself in Africa, and especially in those countries that are making progressive changes and that are vital to US security interests. We cannot protect our own interests through military and economic assistance alone if the citizens of the nations of Africa are without jobs, and only the private sector can develop sufficient jobs to decrease unemployment, poverty and alienation. Governments need private sector development as much as the private sector needs stable and open governments. In this regard, I believe we need to view AGOA not only as an economic development tool, but as an opportunity for investment from the US private sector.

To date, under the AGOA framework, African countries have demonstrated competitiveness in adding value to products primarily in the following sectors: textile and apparel, automotive products, and floriculture products such as cut flowers. Areas with room for growth include: agribusiness products, including processed seafood and juices; leather products; wood and furniture products; along with many other products that have potential for domestic consumption as well as for regional and international export. The effective development of each of these sectors requires a concerted effort to implement trade capacity building assistance. *Why you may ask is the "Aid for Trade" agenda important to a U.S. business and policy audience when these countries, once made competitive, could compete directly with our domestic businesses?* The truth is that presently African countries combined account for less than 2 percent of total global trade in goods and services. The threat of direct competition in the U.S. market is far off. However, the *opportunity* for fostering stability in African countries and for engendering development is substantial. Stable, growing markets in Africa, in fact, create more opportunities for U.S. business—both in terms of investment and trade. Trade capacity building assistance, in my opinion, is the key to building sustainable non-oil trade in African countries. Today, I urge the United States Congress to consider and encourage stronger options to improving funding that supports trade capacity building in Africa. As long as many countries of Africa lack trade capacity, AGOA as an important component of our overall relationship with Africa, will not meet the expectations and hopes that it has created throughout the continent. I believe many recognize this and are seeking other ways to improve trade with Africa.

For instance, at this point in time, there are members in Congress who are seeking to more fully expand access to the United States market by the world's least developed countries through a new *Duty Free/Quota Free legislative proposal*. The draft legislative text is said to include equal market access opportunities for least developed countries (LDCs) such as Bangladesh as for African LDCs. While I am fully supportive of increased market access, such a proposal could negate some of the gains made by African countries under AGOA if certain benefits that are enjoyed, especially in the textiles and apparel sector, are not guarded. The effect in the short-term could actually be job losses in Africa. At same time, the legislation will seek to improve access in the agriculture sector, which could be of much significance for African producers. When the House of Representatives comes to consider this legislation, I urge you to ask the following pivotal questions:

1. What is the extent of trade capacity building assistance for African LDCs that is built into the legislation, and is this assistance targeted at sectors that possess the greatest potential for growth?
2. What is the potential impact on the textiles and apparel industry in Africa and have the appropriate steps been taken to safeguard some of the gains made in this sector?
3. Does the legislation take into account private sector needs, and does it emphasize value-maximizing incentives that go beyond traditional market access preference legislation implemented in the past?

AGOA should best be viewed as an essential piece of a broader framework for building a more sustainable U.S. trade relationship with Africa. Other equally important building blocks include: The U.S. Millennium Challenge Corporation and the work being done through its Compact Agreements with African countries; the President's Emergency Plan for AIDS Relief; and the work being carried out in Africa by the various U.S. Government Agencies including Commerce, USAID, and USTDA, for example. In conducting each of these efforts, I urge that U.S. business presence and participation be encouraged through the formation of sound public-private sector partnerships. Government can open the door for engagement but the presence of the U.S. private sector is the surest means for ensuring that trade and future development take place. In this regard, AGOA could and should be an incentive for greater US investment in Africa, yet this has not been the case. We cannot compete internationally, and especially in Africa, if we limit ourselves in our ability to invest abroad. We need to develop stronger and more confident mechanisms to support US investment in Africa. We need to view AGOA as a tool for US investment, not only as a means to build trade capacity, but as a means to strengthen American outreach into Africa as a partner and investor with a fledgling private sector in African nations.

AGOA is also part of a global trade development framework. Like the United States, the majority of African countries are members of the World Trade Organization. The U.S. has an essential role to play in meting out a favorable trade development policy through the Doha Trade Development Negotiations. That more progress

has not been made on the multilateral front is unfortunate, particularly as regards Western agricultural subsidies reform, which must be addressed for the future sustainability and growth of agricultural development in Africa. The U.S. through the Congress, Senate, and the Executive Office of the United States Trade Representative should be encouraged, despite present bottlenecks, to continue to work on negotiated outcomes in trade openness at the multilateral level.

Regional trade is another essential pillar for AGOA's continued success. It makes little sense to speak of market access and trade in the international context, when domestic and regional regulations in Africa flout market access practices. Change is taking place in regional integration efforts in Africa and such change must be supported. I commend the Common Market for Eastern and Southern Africa (COMESA) of which my fellow witness is a member for the broad-reaching efforts its members are taking to form an integrated customs union and to network regional trade supporting infrastructure such as transportation and customs services. U.S. private sector businesses stand behind the principles of the New Partnership for Africa's Development (NEPAD) and regional trade blocks such as COMESA in their efforts to push for integrated infrastructure projects that build sustainable markets in Africa and which greatly improve the opportunities for trade among countries in these regions. I believe that the American private sector needs to more actively engage with regional trade organizations, just as the regional organizations need to encourage the US private sector to be more engaged in regional projects.

The Corporate Council on Africa remains committed to AGOA's core objective to promote valued-added exports from African countries to the United States market. Our role includes improving the visibility and prevalence of the U.S. private sector in Africa. It also includes engendering new opportunities for trade and partnership between private sector businesses from both Africa and the United States. Our key vehicles for achieving these goals are our conferences and programs. We are pleased to report to the Honorable Members of the House of Representatives that, for the first time, we will take our biannual U.S.-Africa Business Summit to Africa, when it will be held in Cape Town, South Africa from November 16 to 19, 2007. Immediately preceding the Summit we will hold our second annual U.S.-Africa Infrastructure Conference, which will take place in Washington, D.C. from October 8 to 10, 2007. Both conferences offer an unprecedented opportunity for targeted engagement between the U.S. public and private sectors and the public and private sectors in Africa. Momentum for both conferences is growing and we are confident that each event will raise the profile of U.S.-Africa trade and foster new businesses opportunities for both sides.

It is also important to note that immediately preceding and following the US-Africa Business Summit in Cape Town, CCA and many of the leading Africa-focused organizations in America are now planning for simultaneous trade missions to at least thirty African countries. This is historic and will send the message to the world that not only is Africa open for business, but the United States of America is ready to compete for business in Africa. In this regard we need strong public-private sector cooperation in order to be successful, and we need the leaders of Congress to work with the private sector to develop a unified and comprehensive approach to US-Africa relations. Imagine if we had at least one business from every Congressional district in America as part of these trade missions. Imagine the message this would send not only to Africa, but to the rest of the world about America's resolve to work with Africa. Although we often find ourselves in a highly polarized society, I believe that the challenges in building a stronger US-Africa relationship is an area in which we all can find common ground.

The Corporate Council on Africa also remains committed to its Africa-focused development programs and initiatives including the South Africa International Business Linkages Program (SAIBL), which is one of the most successful USAID programs in Africa, and which works to develop market opportunities for primarily black and women empowered companies in South Africa; the CCA HIV/AIDS Coalition which is working to develop effective business coalitions to address HIV/AIDS prevention in sub-Saharan Africa; and finally, CCA's Public Private Agribusiness Initiatives Program (PPAI) which is working to build new linkages between U.S. agribusinesses and regional economic communities in Africa.

Honorable members, while we have made substantial progress in the years since AGOA's passage, the task is far from over, especially in the face of mounting competition from new actors in Africa. The U.S. has traditionally been an innovative, supportive trade partner in Africa. We encourage you to expand on the trade development agenda in 2007, particularly as it relates to capacity development, and market access that can foster and grow diversified export-led trade in Africa. I also believe it an exigency for the sake of African economies as well as our own that we encourage the US private sector to be much more engaged in Africa. AGOA and the

programs necessary to increase its effectiveness should not be viewed as simply assisting African development. These programs must rightly be seen as assisting our own security and economic development as well. Africa and the United States need one another and unless we are ready to act now to build this relationship more effectively at the trade level, we risk being left behind as other nations move forward in investing in and trading with Africa. I think the consequences for America would be tragic, but clearly this need not be. We need not view Africa-United States relationships from the perspective of our fears, but from the perspective of what the relationships can be, and realize that we have the power to fulfill the vision of AGOA and the hopes of Africans and Americans alike as partners now and into the future. Thank you.

Mr. PAYNE. Well, let me thank the panel for your testimony, and perhaps I will begin with Mr. Ngwenya. In your testimony you addressed the necessity of building trade capacity as a key element in developing Africa's market share. What existing measures and policy initiatives can be linked together to improve Africa's trade capacity in your opinion?

Mr. NGWENYA. Thank you, Chair. Trade capacity building is important at different levels.

What the emphasis has been to date has been trade capacity building with regard to government or public institutions but not with the private sector institutions, and also with the producers because, for example, if you look at production of organic honey, just to give you an example of a project we are working on, where in northwestern Zambia and other parts of the COMESA region you will find that the producers of honey are not aware and trained on how to harvest the honey, to store, to transport it and do the documentation. So, they will not get the premium price.

So what we need to do is to have this capacity building at various levels including among the producers as opposed to the current emphasis. If you look at most of the Integrated Framework Program, which is under the World Bank and also some of it under USAID, these are focused on the government level. What is changing, as was indicated by Ms. Liser when she spoke, is that we are now also looking at sector by sector including what kind of information, what kind of skills are required for these people to participate in the global economy.

What we need under the Aid for Trade program is then to have a holistic approach and not only look at the trade aspect but also at the infrastructure, the issues of competitiveness, et cetera, because all these things are linked. You can have capacity building for trade for people to understand, but if they are not competitive you don't address the factor, the energy costs, the transportation costs, especially for land-locked countries, you will still not be able to get successful outcome.

Mr. PAYNE. Thank you very much. I see that your background is primarily in transportation. What would you consider the key problem so far as agriculture and its ability to be a significant trade item between African countries and the United States of America?

Mr. NGWENYA. Well, I think the major problem is not really transportation but is actually what is being transported. If you look at primary commodity and then you look at the transportation costs you find that transport costs account for up to 60 percent of the export value of that commodity. It means ultimately that the farmer will have to be paid a very low price and hence the poverty cycle continues.

So the other way of looking at it is to say which are the agricultural products that value can be added to? Because when you add value to those products they will withstand the freight costs either by road, by air, and so forth. At the moment on average in our region for both intraregional trade and international trade you will find that 45 percent of the value of what is exported is accounted for by transportation costs, but that is precisely because it has no value addition.

Mr. PAYNE. How about agricultural diversity? There are just certain items that are being exported, so once again it seems that if market surveys could be done to see what new trends are in agriculture—you mentioned organic products before. There is an increased interest in U.S. anyway in organic products.

Do you think that the quantity is enough or do you still contend that without having the quantity it is going to be very difficult to offset or without having a specialized sort of added value put on the product, that it just makes it noncompetitive?

Mr. NGWENYA. Well, I think apart from the issue of transportation and quality you also have the issue of financing because if you have the small holder producers and they do not have financing, what will happen is that they will not be able to produce sufficient quantities to supply the American market.

One of the interesting things about this market is that when orders are made and they are not fulfilled then you can rest assured that you will never be able to talk to the buyers again, so the issue of financing is of particular importance. Regarding organic products, COMESA has signed an MOU with the American Organic Association where we are working on cotton, we are also working on honey and other things, but the major aspect that will be required there is financing to support the producers.

Currently what has happened is that the financing has not gone to the small holder producers because we do not have institutions and mechanisms to reach them, but I am sure that through our PTA Bank and other institutions we could put programs together in order to address the constraints that are facing our small producers because this is where poverty is.

Mr. PAYNE. Finally, you have regional economic integration among African countries. If you had that, it could help African exports outside the region—I think that was mentioned before—by allowing African producers to take advantage of returns to scale as we just talked about. Each subregion in Africa has multiregional economic groups: Economic Community for West African States, ECOWAS; Common Market for Eastern and Southern Africa, COMESA; Southern African Development Corporation, SADC.

What progress is being made toward regional economic integration, and have there been any actual reductions in trade barriers among the bordering countries? There is much overlap among the regional economic groups to point out where there could be conflicts between the different groups. How is this issue being resolved in Africa?

Mr. NGWENYA. The issue of multiple overlap, which increases the contributions by member states to the budgets of the Secretariats but most importantly which increases the transaction costs for the private sector, is being addressed. For example, between SADC and

COMESA and EAC, we are working on adopting common sovereign rules of origin.

We also have a program for the adoption of a common free trade area because at the end of the day these regional organizations exist not for the government, but they exist in order to address the requirements of the private sector, civil society and other stakeholders. So the good news is that the issue is being addressed.

Mr. PAYNE. Thank you very much. We have Congresswoman Sheila Jackson here. Mr. Ngwenya has to leave in a few minutes. Just coming in, he is a representative of COMESA, which is an organization dealing with the community of eastern and southern African countries. He has to leave in a minute, so if you have any question you would like to ask him I will give you the opportunity. If not, we could excuse him and we can go back to questioning the other two witnesses at which time he would also have an opportunity to ask them any questions. So if you want to catch a breath we could—

Ms. JACKSON LEE. I am breath catching. I am caught up.

Mr. PAYNE. I know when you come in you are ready, so I will yield to the gentlelady.

Ms. JACKSON LEE. Well, first of all, Mr. Chairman, if I may take a brief moment to thank you for your leadership on this issue. I am reminded of coming to Congress and viewing you as the point person for moving AGOA forward with Mr. McDermott, Mr. Rangel, and I know that AGOA had been idle or had been thought about for a long period of time.

I am going to take this time, Mr. Chairman, and then yield back to you and apologize. I am in another hearing, but I didn't want this important hearing—I see the Corporate Council is here. Maybe you have posed this question. Mr. Ngwenya, let me thank you very much for your presence. My issue as I look at this title is to join you on the issues dealing with agriculture or join on those concerns.

Of course we always face the ups and downs of our industry here, and we are getting ready to confront that in the agricultural bill. It is a fight that we continue to have, and I would encourage you in the negotiations with the State Department and otherwise as we look at the African Growth and Opportunity Act that we never lift up on that issue. I want to point out this whole issue of oil, and the African Corporate Council is here, and they are made up mostly of energy companies.

From the time that I have been introduced to them, they were hosted in Houston, I spoke about the need for the energy companies to recognize that their benefits were not trickling down to the general population. I happen to disagree that you cannot create jobs out of the energy industry, but that is the perception. Therefore, when we look at this trade bill we say that the only individuals benefiting are large energy companies.

They are ruining what they have sewed. They are ruining what they have sowed in the Delta. I think if we move to the next step of the African Growth and Opportunity Act while we look at these other opportunities and issues that you speak of I want to hear from you we can make the energy industry job generating. There are new

finds in New Guinea-Bissau I think or in that region, huge as I understand it.

What has happened is the energy companies hire a few managers, but they don't know how to generate intelligent work, trained work for the masses and it can be done. It can be done in terms of the environment, the upkeep and exploration.

So I would ask you as we look to this trade bill and look at the issues of agriculture and some of the aspects that you have mentioned can you give me some insight, and you may not call yourself an oil and gas man, but some insight on how effective a reordering of the mindset of U.S. energy companies to be a real partner, and I would say other natural resources because there is gas and other, it may be coal, in and on the continent so that there is a benefit to the indigenous, to the young boys in the Delta in terms of training?

I end on the fact that in addition to that, joint relationships between small and medium sized companies with the minority population here in the United States—and this is on energy, and I know this is beyond energy but I want to see if they can clean up their act—and medium and small sized companies on the continent. Is there any thought that you can give to that for me? I thank you for your leadership and presence here today.

Mr. NGWENYA. Well, thank you very much. I am not an energy specialist, but let me deal with it from the issue of mining. I know that there are those who may not agree with me, but perhaps the first thing that we should look at is in terms of the mining legislation. If you look at most of the mining legislation for oil, for minerals in Africa it will state that the resources under the ground are not owned by the people living on the ground.

So if we look at it from that point of view, perhaps we can then say if these resources are owned by the people and not by the governments, because the governments can say we are owning them on behalf of the people, but at the end of the day, we have found in some cases that the energy companies and the governments are all in a league and they don't care about environment, they don't care about that.

So the first thing that I think should be addressed is the issue of legislation so that one has got a legislation. Another idea is to say the resources that are there are also owned by the citizens. And then instead of you perhaps relocating people from the Niger Delta when there is an oil field, you can have them relocated but don't pay them compensation to build houses; give them equity in those companies because when you give them equities they will become shareholders, they become responsible and part of the global economy.

That is one way of dealing with it. Secondly, with respect to the issue of what I call services provision, there should be a requirement that these companies work with the local companies. They subcontract, and they do capacity building for that. I will give you an example of what happens in the aviation sector.

It doesn't happen for Africa, but if Boeing sells aircraft to, say South America or to Australia or to Portugal, what will happen is that there will always be that requirement that if they have capacity to produce certain components, Boeing will send quality engi-

neers to those companies in order to do that. This is how we find that we have been able in the aviation sector to develop different components manufactured in different countries.

But I think the problem we have in Africa is we have enclave economic activities whereby we negotiate these things with the investors, but we are not looking at how to integrate these particular economic activities into the local economy. This is why you will find that the people feel they don't have anything to do with that, and that is why you will find that there is retalk about in minerals in Africa you will see an increasing number of conflicts that are related to oil-related minerals because the people feel that they are betrayed by the way the whole system is structured.

It is not profitable to them as a community; it is not profitable to countries. This is how I would respond to your question. I thank you.

Ms. JACKSON LEE. Mr. Chairman, if you would indulge me in one brief moment, and I will conclude if Mr. Hayes wants to respond in his representation of a number of members of his Council.

Mr. HAYES. Yes. Actually, I do thank you very much. The Corporate Council since 1999 to the year which you referred has more than doubled in membership. Energy companies are about 12 percent of the total membership now. We have far more agribusiness related companies than we do energy companies. Nevertheless, yes, they are an important part of the organization.

We also in 1999 had almost no small businesses. One-third of our membership now are small businesses, two-thirds are small to medium sized businesses. I am not in disagreement with some of the spirit in which your remarks are aimed, but the organization now is working in a far more broader manner than in 1999, at which time, I was not involved, so I think that there are a number of other programs if you will indulge me to point out.

USAID gives us a grant to work with small businesses and they say the euphemism is traditionally disadvantaged in South Africa which means primarily black and women run businesses. Over the duration of the program, we have generated \$3 billion, this is separately audited, of transactions for small black businesses and women run businesses of South Africa, and USAID ranks it first in efficiency and effectiveness out of 400 programs it runs in Africa.

So I think we are a much broader organization, and thank you very much for giving me the opportunity to expand upon that.

Ms. JACKSON LEE. Thank you. Let me conclude, Mr. Chairman, and yield back to you, and just thank you, and only say this and I respect the topic. I hope that maybe as we work on this issue, and of course the trade representatives are there to listen, but they might be helped if they do listen, I think what we have gotten from distinguished gentleman, Mr. Ngwenya, really lays the framework of a resource that won't go away.

What has happened, and he just laid it out, is the continent believes that it has nothing to do with them because they see no benefit. A trade bill that has a U.S. piece to it and U.S. based energy companies has to have some impact even if we go beyond oil and gas to move this dynamics and this contractual relationship to ultimately get the people of the continent to benefit.

I think that is in training, I think that is in small businesses, I think that is in joint ventures and I think that clearly the legislative issue is probably one that as I have said will be one of our challenges because that is a sovereign nation making legislative changes. I would hope this committee will be pushing the trade representative as they give benefits under AGOA that they don't give benefits that don't ultimately trickle down to the economy which we are trying to impact, and that is been the criticism of AGOA.

I think it is a great door opener, and we need to make it work. I don't want to leave. I appreciate the diversity, Mr. Hayes. Hopefully, someone from your organization will meet with me, and maybe I will get to know who you are now.

Mr. HAYES. I would love to.

Ms. JACKSON LEE. I just think that is the key element of trying not to walk away and give them a pass on not getting these resources, Mr. Chairman, to the actual people that count. Thank you, again, for your leadership, and I yield back. Thank you for your indulgence of my questions. Ms. Kuhlmann thank you so very much. I am being called away, but I did not want to miss this important hearing. Thank you.

Mr. NGWENYA. Mr. Chairman, can I just leave with your permission?

Mr. PAYNE. Thank you very much. Yes, you may leave now.

Mr. NGWENYA. And thank you very much, again, for your leadership and your continued interest in Africa. Thank you.

Mr. PAYNE. Thank you very much. Ms. Kuhlmann, microcredit and microfinancing have greatly benefitted women in developing countries by alleviating poverty in general. In your testimony, you have discussed trade's potential to provide the same benefit. At the same time with increasing industrialization, there is also a concern for the quality of labor standards, working conditions and fair wages, particularly concerning women.

What efforts have been implemented to ensure the rights of women are being protected in the countries in which you are involved?

Ms. KUHLMANN. Thank you for your question. I agree fully that microcredit and microfinance have been absolutely critical to helping bring women into the global economy, and I think that trade preference programs like AGOA are such an important next step for women. I have met women from around the world who have benefitted from small loans who then ask the question of how to access markets. I think that it behooves all of us.

I am so happy that we are having this discussion here today to find better ways in which to help those women get to markets. I also agree with you that labor conditions are a very significant issue facing many, many women around the world, and I just wanted to say a few additional things about that in answer to your question. One is I think that the preference programs have helped.

I worked extensively with these programs while I was at USTR, and I have worked on them for the past several years, looking at how they impact women around the world. There are cases in which the criteria under the preference programs for eligibility and

the process that has been in place to evaluate those criteria have led to very meaningful improvements in labor standards.

At the same time however I do want to stress that we need to go beyond the current situation. There are significantly important labor conditions that are left out of the current eligibility requirements, such as protection against discrimination in the workplace which impact women around the world.

I know, and I commend the Congress for considering these issues recently in looking at how trade agreements should reflect all of the International Labor Organization's conventions, including prohibitions against discrimination in the workplace, and also urge that those same considerations be brought into these discussions on AGOA and the other preference programs so that the labor standards are as comprehensive as possible.

I also think that our discussion today has really highlighted the need for greater capacity building assistance, and I think that labor and human capacity development is one area where that kind of assistance is absolutely critical. A number of the comments today have highlighted how we need to make sure that the benefits of programs like AGOA reach every member of society, and for very poor women sometimes that challenge is even more extreme, to make sure that these women are able to participate and benefit from these programs.

Good jobs obviously are one way that they can benefit, so in addition to creating jobs we need to make sure that those jobs are as good as possible. We need to use the conditions even more in these programs, have even better processes in place for evaluating them and improving them, and tie them to capacity building assistance so that countries can work with international organizations, can work with civil society, can work with the men and women who are benefiting from these programs to make sure that jobs are as good as possible. Thank you.

Mr. PAYNE. Thank you very much. I know that is a real challenge even here in the U.S. with trying to amend some legislation, a recent Ledbetter case where a woman put in a discrimination suit about pay wage discrimination, but it was over 180 days that she did it, and the Supreme Court said that it was not done in a timely fashion. So if we still have the issues here, we know that worldwide the gender equity is really a serious problem.

There is a widespread consensus, Ms. Kuhlmann, and empirical evidence that women control the informal economy. We know that very clearly in Africa and in the developing world in general. Have programs been put in place to create a more inclusive and equitable business community by linking women owned businesses to markets, building their capacity and providing skills and training that they need in order to be successful?

Ms. KUHLMANN. Thank you. I do think that efforts have been made to do this, but again, I think that we need to look at how much more can be done in this regard. As I stated in answer to your previous question, I think that helping women access markets is absolutely critical, and for many women it is a very difficult step.

Again, I have met so many women around the world who are at that point and struggling with how to take the things that they have taken such pride in making, beautiful handicrafts that rep-

resent years and years of cultural history, and take those products to market. I recently went on a trip to the Pacific Islands to discuss trade preference programs there and met with a number of women exporters.

I think that more and more needs to be done to talk to women about these programs, to tell them that these programs exist, to tell them that AGOA is there and how it can impact them, and then to help facilitate greater cooperation among them. Also, anything that we can do to help women access markets and to help them make links to importers I think is absolutely critical.

So there has been some work in this regard, but I think that this is an area where capacity building really should focus heavily to make sure that women are able to take advantage of these programs.

Mr. PAYNE. Just one additional question at this time about agriculture because it really seems to be the area to which AGOA should be going, but we see very little impact from agriculture. So we do know that agriculture is important to the livelihood of many sub-Saharan African people. Currently, agricultural products are only a small fraction of African exports to the United States although as we have heard already, there have been a few niche markets with coffee that have been developed.

Could agriculture take on an important role in African countries' exports, and in your opinion, what are the barriers to agricultural exports in Africa and what is the United States doing to reduce those barriers? In general, what more do you think we could do to try to knock those barriers down?

Ms. KUHLMANN. I think that agriculture is absolutely critical for Africa and absolutely critical for African women. Women dominate the agricultural sector around the world. This is true in Africa as well. They not only do a lot of the work, but they are responsible for providing food for the families, they are responsible for gathering water and fuel. I think that their role in this sector is instrumental.

I think that as we look at how to make agriculture work better for Africa, how to open up markets in that area, we do need to think about the women who are toiling away doing such hard work and make sure that their needs are taken into account and that opportunities are created for them. As I think that I highlighted in my testimony this is a sector that is of such great significance, but it is a sector that is limited by the current provisions of AGOA.

Several products in particular are very, very important to the African economy and have the potential now to reach even greater markets if those markets were opened up. Sugar and cotton in particular I think are products that are being produced by a number of countries in Africa. On sugar, several of the poorest countries in Africa are large producers.

I also think that it is important to note that the current system of tariff rate quotas for sugar only allocates quotas to a certain number of countries. This system was developed based on which countries were producing between 1975 and 1981, and countries that were not producing then don't get a piece of the pie. So there are over 10 very, very poor countries that are left out of the system entirely.

I think that this is not the result that anyone would have intended. Of the countries that do get a share it is very small, and the duties are prohibitive. It also has an impact when value added processing comes into play, which is something that we have also discussed today. As soon as something like cocoa, for example, involves the processing of sugar these very extreme restrictions are also brought to bear.

So cotton, again, is an incredibly significant product for many, many countries in Africa. It supports the livelihood of millions of people. I think that by looking at these particular products, by looking overall at agriculture, by, as I have highlighted, increasing market access under AGOA to 100 percent duty-free quota-free access, I think are absolutely critical and would have a tremendous impact I think on the agricultural sector in Africa.

Again, I think that capacity building needs to be coupled with that market access to ensure that all producers, particularly small producers of which there are many in Africa, many of whom who are women, are able to take advantage as markets open up and are able to look for new opportunities to benefit from agricultural trade while also dealing with the other issues surrounding Africa such as food security and caring for the family. Thank you.

Mr. PAYNE. Thank you very much. Mr. Hayes, is there much interest, in your opinion, in the Corporate Council in agriculture in general? We have been talking about that as seemingly having great potential but underutilized. Are there opportunities that your organization tries to make available to both sides?

Mr. HAYES. Well, yes, absolutely there are. I also think we would be better served by taking oil out of the equation because as you rightly pointed out, the oil industry really doesn't benefit from AGOA. They already have their tariffs as low as possible, so AGOA really doesn't make a difference. So I think this nation would be better served concentrating on other sectors such as agribusiness.

I think agribusiness is the most important sector we could be concentrating on now. Every country in Africa can produce agriculture, does produce agriculture. They can export it. We have got to lower our trade barriers, if not eliminate them, if Africa is going to benefit from that. I think AGOA has probably served as well as it can given the limitations.

Those limitations are the need for infrastructure so that agricultural products can get to the market. Seventy-five percent of the products rot before they get to market in many countries. Nigeria's tomato crop, for instance, stays at 75 to 80 percent. There are over out of our 180 companies, which collectively represent about 85 percent of all private investment in Africa, 36 are agriculture related.

That is our largest percentage of companies. They are looking to how we engage United States agribusiness more productively into Africa to be able to not only support African development, but also to support the American economy more effectively. So the company is always looking for companies. We have an agribusiness task force working on this. We work very closely with the U.S. Government on that.

We also have a grant, one of the few organizations that has an entire section dedicated to agribusiness. We just hired through a

connection through the Rockefeller Foundation a person to run the agribusiness program.

So I think that yes, we are very anxious for greater opportunities in Africa, but they are not going to happen unless we address the issues of financing, we address agribusiness as a priority for AGOA and beyond, and we address the issues of infrastructure, and also, training, all that which I think has to be done by the private sector with a strong public-private cooperation.

Mr. PAYNE. Very good. How would you propose encouraging United States direct investment in Africa without undermining the success of indigenous African business ventures that cannot effectively compete against United States enterprises conducting business in Africa?

Mr. HAYES. It is a very good question. I think that what we need to do is have greater American investment on the ground in Africa to help build the production plants. U.S. small business could benefit greatly by building smaller scale production capacity that allows agribusiness to have added value rather than send rail produce or try to ship rail produce. Then manufacturing plants need to be built.

That could be done in partnerships, and these partnerships then become training exercises, not the right word, and add capacity for training in Africa. So I think greater United States-Africa partnerships would aid both our economies. One of the current concerns I think we need to address in all of this, too, is that unless United States business becomes more invested in Africa we are going to lose out in competition to China, to India, to other countries.

So it is in our national interest to be able to work with Africa and support the development process as partners. I think legislation needs to be developed more to look at how do we get financing for that investment, and how do we get financing for small entrepreneurs in Africa as well.

Mr. PAYNE. What do you think about your organization or any group working more with these regional organizations? Do you interact with COMESA, or SADC, or ECOWAS since they are broken down into regions?

Mr. HAYES. Thank you. We believe very strongly in working with the regions. I think the regions are our future hope for Africa. We were the first organization to put our own staff inside, the COMESA Secretariat. We have been asked by Mr. Mwencha to continue that. Under our agribusiness program it is designed, again, in support by USAID to work specifically with COMESA, ECOWAS and the NEPAD Secretariat and then at a second level SADC.

I think both ECOWAS and COMESA are in better shape right now to work on these issues. SADC is still more, in my view, a political entity as opposed to really a development entity. I think this country needs to put far more emphasis on the regions. I would agree that, for instance, MCC is one of the really great creative foreign policy programs of the last several decades, but we really also need to look beyond country-to-country program and strengthen the regions.

Stronger regions will also put pressure on fundamental change at the political level in those countries that I think need fundamental political change.

Mr. PAYNE. Yes. That point has really been brought out lately, even the MCA, about the need to deal with a regional project rather than country specific. Just finally, from a business point of view—I guess you have touched on it already a bit—what are the major obstacles in doing business in Africa? Many U.S. agencies are involved in delivering trade capacity building and technical assistance.

In your opinion, are they targeting the right sector, the right people, with the right activities? What seems to be the biggest obstacle?

Mr. HAYES. Well, there are several questions included in a way. I think that there is still a fundamental disconnect that both the private sector and the public sector is now beginning to address in the fact that the USAID trade hubs, for instance, aren't working as closely with the private sector as I think they should be. I also think the private sector needs to be more active and supportive of the ideals of the USAID trade hubs.

So I think that there needs to be stronger public-private cooperation if we are really going to be successful. We are working too much apart from one another, and I think that we really haven't had a strong public-private sector program since the Marshall Plan that really worked very well. And so I think that in that regard, this is one area of improvement that both CCA as well as the government and other entities could be working on.

Also, I have spoken about the barriers of infrastructure and agribusiness and financing needs, but also think that we do have to address the needs of small business especially. Small business does not have the money to initially engage in Africa without sufficient financing. It takes an enormous amount of money relative to a small business to go to an African country to spend the time trying to understand how that particular country works.

It is not practical to simply say that we need opportunities for small business unless we are prepared to find ways to finance small businesses to make it possible. I don't think that the financing institutions that exist now, although I think they will all say well, we do this program or that program for small business, is sufficient. I think that we need to really look at greater opportunities for small businesses in Africa.

African banks traditionally do not fund private sector small businesses. It has never been part of their history. American banks are still afraid of financing without some types of guarantees for those ventures into Africa. So I think that small business especially and medium sized businesses, not just the small SBA business but medium sized businesses, that would like to take the opportunity and take a calculated risk in investing in Africa often don't have the opportunity because of lack of financing.

I think it is a major obstacle, and I think that is something that Congress needs to address.

Mr. PAYNE. Well, that really certainly, I think, says it all. I really would like to commend the Corporate Council in the manner in which it has sort of refocused since 1999 when you took the helm. I think that it certainly reflects more what is needed—the small businesses, the outreach—and so I commend you for changing the path of the Corporate Council on Africa into, I think, an organiza-

tion that can better serve both Africans and Americans, and so we hope you continue to move in that direction.

We certainly look forward in general for the committee to be briefed by the USTA and the Civil Society Coalition following the AGOA Forum in Accra next week. I note you will be attending it. I don't know if you will be there, Ms. Kuhlmann.

Ms. KUHLMANN. I won't be there, but somebody from my organization will be.

Mr. PAYNE. Great. Mr. Hayes, you will be attending?

Mr. HAYES. Yes, I will be attending, and we are chairing and organizing three of the nine workshops. So we are going to continue to play a major role.

Mr. PAYNE. Great. Well, we will be very pleased to hear from you about what our accomplishments have been and maybe the direction for the future. I certainly want to recognize the efforts of various civil society groups, some of whom are represented here: The Women's Edge Coalition, Partnership to Cut Hunger and Poverty in Africa, and others who are doing work with the African Diplomatic Corps.

Earlier on they were and still some are here, but many Embassies were present today. Their work was critical on the last three AGOA bills, and I look forward to continued work with them as we try to improve AGOA in the future. The Africa Diplomatic Corps played a key role, actually, in critiquing the original bill and suggesting modifications to it even before it was passed through Congress, so I would like to commend them for their continued work.

We look forward to perhaps in a year or so having another hearing, but perhaps we will have some better results in a more diverse manner than just the energy sector. Let me thank both of you for coming and all the panels. At this time the hearing stands adjourned. Thank you very much.

[Whereupon, at 1:39 p.m., the subcommittee was adjourned.]

