

# THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)

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## HEARING

BEFORE THE  
SUBCOMMITTEE ON AFRICA AND  
GLOBAL HEALTH POLICY  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
ONE HUNDRED FOURTEENTH CONGRESS  
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## **THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)**

**THURSDAY, APRIL 23, 2015**

U.S. SENATE,  
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:00 a.m., in SD-419, Dirksen Senate Office Building, Hon. Jeff Flake, chairman of the subcommittee, presiding.

Present: Senators Flake [presiding], Isakson, Markey, and Coons.

### **OPENING STATEMENT OF HON. JEFF FLAKE, U.S. SENATOR FROM ARIZONA**

Senator FLAKE. This hearing of the Senate Foreign Relations Subcommittee on African Affairs and Global Health Policy will come to order. Earlier this year I chaired a hearing to explore growth and investment in Africa following the 2014 U.S. leaders—Africa Leaders summit. And today we are talking about examining one of the key tools to help advance those aims, the Africa Growth and Opportunity Act, or AGOA.

AGOA was created to provide incentives for African countries to strengthen the business climate, grow economies, and attract investment. And in doing so, AGOA aims to help encourage stronger commercial ties with the United States and integrate Africa into the global economy. As we all know, sub-Saharan Africa's consumer base of nearly 1 billion people is rapidly growing and has the potential to create increased demand for U.S. goods, services, and technologies.

While ultimately African countries in the United States would benefit from bilateral trade agreements like those in place with other markets, the AGOA reauthorization is a step in the right direction. And by the way, we hear that the Finance Committee late last night did pass a reauthorization with a broader package, so that is good news. AGOA will help build capacity on the continent while sending a positive signal to investors who are currently deciding whether to invest in Africa or to look further afield.

Today we will hear from witnesses who will discuss how best AGOA can advance growth and investment on the continent as well as address the limitations of the act in the long term. Now, each of our witnesses today brings a unique perspective to the issue at hand, and I have no doubt they will contribute to the debate. I thank all of you for your time, for showing up here and sharing your experience, and I look forward to the testimony here.

With that, I will recognize the distinguished ranking member, Senator Markey, for any comments he might have.

**OPENING STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Mr. Chairman, very much, and thank all of those who have come here this morning. The African Growth and Opportunity Act has been an important component of the United States engagement in Africa for the last 15 years. The esteemed Ambassadors from a number of African numbers, including Cape Verde, Gabon, Zambia, Ghana, South Africa, Togo, Burundi, Sierra Leone, Cameroon, and Madagascar, join us today in a testament to the importance of AGOA.

AGOA enjoys bipartisan support because of its ability to assist qualifying sub-Saharan African countries in gaining greater access to United States markets, support economic development, and advance good governance. The African economy is expected to have a GDP growth of 4.5 percent in 2015, outpacing even Asia in its growth.

As the Senate works on reauthorizing AGOA, we need to consider how we can improve on its existing success. I look forward to hearing from our witnesses how we can increase the ability of AGOA partner countries to access its benefits, and how AGOA can support decent work and fair labor standards. Mr. Chairman, I would also like to supplement today's testimony by including for the record a letter of support for the AGOA extension from the Ethiopian Global Initiative.

Senator FLAKE. Without objection.

[EDITOR'S NOTE.—The letter mentioned above can be found in the "Additional Material Submitted for the Record" section at the end of this hearing.]

Senator MARKEY. Thank you, Mr. Chairman, and I yield back the balance of my time.

Senator FLAKE. Thank you, Senator Markey. We will go ahead. I will introduce all of you together, and I believe Congressman Isakson is on his way. I will let him talk about the action last night when he gets here. But we will start with the witnesses.

Tom Hart is the U.S. executive director for ONE, an advocacy organization that aims to end extreme poverty and preventable disease particularly in Africa. He and his team have provided expertise on development assistance, particularly in the areas of HIV/AIDS, malaria, and TB through PEPFAR, and the Global Fund, and the Millennium Challenge Corporation.

Scott Eisner is the vice president for African Affairs at the U.S. Chamber of Commerce where he represents the Chamber's interest in sub-Saharan Africa through its Africa Business initiative. Before joining the Chamber, Eisner spent time in international politics working for the International Republican Institute in Malawi, and he trained political parties there in communications and campaign tactics.

Walter Williams is the president and chief executive officer with Leadership Africa USA. Mr. Williams previously served as president and founder of Education Africa USA, focused on addressing

educational challenges facing South Africa's first democratically elected government. As a consultant, Mr. Williams has worked with more than 100 NGOs actively involved in development issues. He has also worked extensively in international and U.S. government agencies.

Bill McRaith is chief supply chain officer for PVH Corp., at which he oversees the company's global supply chain operations and is responsible for developing global production systems to service the needs of PVH retail and wholesale divisions. Before joining PVH, Bill served as senior vice president of global sourcing at Walmart, and was previously senior vice president of product development and supply chain operations with Spiegel brands.

Catherine Feingold is the director of international affairs at the AFL-CIO. Ms. Feingold previously served as director of the Solidarity Center in Haiti and the Dominican Republic. Feingold is a member of the Council on Foreign Relations, and most recently worked in Haiti to promote good jobs and fair wages as part of the post-earthquake redevelopment effort.

Again, thank you all for coming, and we will go ahead and start as I introduced you. And please go ahead, Mr. Hart. Let me just say your testimony will all be in the record, of course. If you could, as close to 5 minutes as possible, limit your remarks, we would be grateful.

**STATEMENT OF TOM HART, U.S. EXECUTIVE DIRECTOR, ONE  
CAMPAIGN, WASHINGTON, DC**

Mr. HART. Great, thank you so much. Chairman Flake, Ranking Member Markey, and other members of the subcommittee, thank you for the opportunity to testify on the important role trade plays in alleviating poverty and on the reauthorization of AGOA. The ONE Campaign represents a broad constituency of 6 million people globally, with a third in Africa and a third in the United States.

We are probably best known by our cofounder, Bono, the lead singer from U2. Bono actually has firsthand understanding of the benefits and importance of AGOA. His wife, Ali Hewson, founded a small clothing company called EDUN, which works with companies in Kenya, Madagascar, and Uganda importing products to the United States under AGOA. ONE fully supports the swift reauthorization of AGOA and hopes it might be strengthened in several ways that I will describe briefly.

Trade is an essential tool in driving economic growth and creating jobs, which in turn reduces poverty. For example, the small village of Masoro in Rwanda saw a boost in jobs and income when the popular U.S. designer, Kate Spade, began working there. A 158 local artisans honed their skills to create quality products that are exported to global markets through Kate Spade. Most employees are the sole family breadwinner, with each supporting on average four other people. And additional jobs have been created as new restaurants and shops opened in the village to support the workers. This demonstrates the powerful impact that one access point to the global market can have on an entire community.

For the sake of time, I will skip what AGOA has achieved over the last 15 years and discuss how we would like to see it improved. When Congress created AGOA, the United States eliminated tariffs

and threw open the doors to U.S. markets only to find over time that very few products trickled through. Lack of trade and technical capacity, weak regional trade linkages, and insufficient critical infrastructure also stood in the way. Let me address each briefly.

African countries need technical support to strengthen their economic policies, build well-functioning institutions, improve regulatory policies, and improve private sector operating practices in their own countries. And they need support navigating the 21 U.S. Government agencies that spend over \$700 million trade capacity in 20 different categories. While all of these agencies are doing good work, we need greater coordination and streamlining among them. And we also must listen to what African businesses, local leaders, and government officials are asking for.

Looking quickly at regional integration, Africa's most important trading partners live right next door, yet trade barriers between African countries are among the highest in the world. The Obama administration's Trade Africa initiative is making a good start by aiming to double intraregional trade in East Asia, which we support and believe should be expanded.

We also believe the Millennium Challenge Corporation should have the authority to pursue regional compacts. MCC has already provided over \$3 billion trade-related assistance to 14 AGOA-eligible countries since its creation. With regionally focused compacts, MCC could promote cross-border engagement, create larger and more harmonized markets, and improve trade among countries in Africa.

Lastly, most African countries struggle with insufficient infrastructure. Without adequate roads and ports, they cannot get their goods to market. Transportation costs can add 77 percent to the value of exports making African products uncompetitive.

Also nearly half of all African businesses cite the lack of reliable energy access as their biggest obstacle to growth. When electricity provided from the grid is not reliable, businesses must run diesel generators, which are three to six times more expensive as well as dirty and dangerous. Higher energy prices increase production costs, making manufacturing uncompetitive, slowing job growth, and slowing annual GDP growth by an estimated 1 to 3 percent. We hope the Senate will move swiftly to introduce and pass the Electrify Africa Act, which along with AGOA would be a one-two punch to support economic growth and poverty reduction in Africa.

So what is next for the U.S. Africa trade relationship? We believe now is the time to look beyond preferences and nonbinding TIFAs and begin pursuing reciprocal trade agreements in order to deepen our economic relationship with the continent. As the Senator said, sub-Saharan Africa's GDP is expected to grow by four and a half times, outpacing even Asia. This growth means that there are going to be more customers in Africa, and we should make sure that we pursue agreements that allow these new customers to buy American goods.

And to be clear, if we do not, others will. The European Union and China are both actively pursuing reciprocal trade agreements with sub-Saharan Africa. During the same period United States exports to Africa grew by three times, China's grew by thirteen. We



would like to see a strong expansion of bilateral and regional investment treaties and have USTR pursue negotiations on free trade agreements with at least two sub-Saharan African partners before the end of the administration.

To conclude, ONE continues to believe that U.S. foreign assistance remains critical. The United States supports heroic work to combat HIV/AIDS, malaria, hunger, and poverty around the world, and this assistance will remain necessary for some time. But that time will be shorter when trade, not aid, defines our relationship with Africa. Now is the time to redouble our efforts to support economic growth on the continent.

Thank you.

[The prepared statement of Mr. Hart follows:]

PREPARED STATEMENT OF THOMAS H. HART

Chairman Flake, Ranking Member Markey, and distinguished members of the subcommittee, thank you for the opportunity to testify today on the important role trade plays in alleviating poverty, specifically on the reauthorization of the African Growth and Opportunity Act (AGOA).

The ONE Campaign represents a broad constituency of 6 million members, one-third of whom are in Africa and one-third in the United States, with the rest in Europe and elsewhere around the world. As a policy advocacy organization committed to the fight against global poverty and disease, we raise awareness about critical issues and work with policymakers on bipartisan solutions. Our members are committed to addressing the impacts of extreme poverty as well as the long-term solutions. We believe trade is an essential tool in that fight.

You probably know ONE from our cofounder Bono, the lead singer of the band U2. Bono actually has a firsthand understanding of the importance of AGOA. His wife, Ali Hewson, founded a small clothing company, called EDUN, which produces clothes in Kenya and Madagascar, and works with the Conservation Cotton Initiative Uganda. This initiative provides training and enterprise support to farmers in northwest Uganda. EDUN and the cotton initiative are employing Africans and creating clothes that are imported to the United States under AGOA.

ONE heartily supports the reauthorization of AGOA and applauds the Finance Committee for clearing the legislation. We hoped to see a 15-year extension, but believe a 10-year extension provides the assurance businesses need to maintain operations, make new investments, and continue to effectively utilize the AGOA preference program. We also hope the legislation will be strengthened in several ways I will describe later. But most importantly, we urge Congress to reauthorize the program quickly.

The ability to trade is essential to driving economic growth and creating jobs, which in turn reduces poverty. After the Korean war, South Korea was one of the poorest countries in the world with a per capita income of only \$64, making it at that time poorer than the Democratic Republic of Congo. Today, South Korea has a per capita income of over \$23,000, with its own foreign aid program, and is richer than either Spain or New Zealand. South Korea has achieved an average growth rate of 7 percent over the last 50 years, which has had a profound impact on alleviating poverty. Trade and export-oriented growth were two key elements of this incredible development and poverty-reduction success.

We are seeing signs of this type of economic development and investment in countries across Africa as well. For example, Kate Spade, the popular U.S. apparel and accessory company has begun working with a Rwandan-owned for-profit business that employs 158 workers. Local artisans in the village of Masoro have honed their skills to create quality products that are exported to global markets. Seventy-seven percent of the employees are the primary or sole income earner in their home and 80 percent report this is their first formal job. Each employee is, on average, supporting four other people. This is not a charity project for Kate Spade; it is a strategic investment in this group of artisans that is helping them become a profitable supplier, able to participate in the global market place.

The impact of this one supplier is not just limited to its employees and their dependents; it is having an impact on the broader community as well. Within the first 8 months of the business being an official Kate Spade & Company supplier, a new restaurant opened to serve the employees, and new salons and seamstresses

opened as well. This small-scale example demonstrates the powerful impact one access point to the global market place can have for an entire community.

My testimony today will focus on three areas. First, what AGOA has accomplished, particularly in regards to the fight against extreme poverty; second, what we see as some of AGOA's shortfalls and ways it can be improved; and third, what is next for the U.S.-Africa trade relationship.

#### WHAT HAS AGOA ACCOMPLISHED?

Since AGOA's adoption in 2000, U.S. imports from sub-Saharan Africa have increased more than three times, and reached \$26.7 billion in 2014. The vast majority is from oil and minerals. Nonmineral and nonoil exports to the United States have increased fourfold in the last 14 years, leading to strong job creation. Since 2001, AGOA has generated approximately 350,000 direct jobs and over 1 million indirect jobs across sub-Saharan Africa, supporting up to 10 million people. Increased trade under AGOA has also created around 100,000 jobs in the United States, because as African economies grow they open up new markets for U.S. goods and services.<sup>1</sup>

The textile industry has experienced particularly strong growth under AGOA, and is responsible for a good number of the jobs created. Many of these jobs are held by women, which is important given that women are more likely to invest their income in the health and welfare of their families and communities. The State Department is working through its African Women's Entrepreneurship Program to target African women entrepreneurs to promote business growth, create better business environments, and increase trade both regionally and to U.S. markets through AGOA.

#### HOW CAN AGOA BE IMPROVED?

One often-voiced criticism of AGOA is only a small number of countries use it. In 2013, over half of the AGOA eligible countries exported less than \$1 million of product to the United States. South Africa and Nigeria alone represent 73 percent of all U.S. noncrude petroleum imports under AGOA in 2013. The top textile and apparel producers are Kenya, Lesotho, and Mauritius, followed by Cote d'Ivoire which exports primarily cocoa products.<sup>2</sup>

When Congress created AGOA 15 years ago, many believed tariffs and the lack of market access were the biggest inhibitors of economic growth in Africa. However, when AGOA removed those barriers we saw there were other structural problems keeping many African countries from taking advantage of AGOA preferences, including weak trade and technical capacity, a lack of regional trade linkages, and insufficient critical infrastructure. In other words, Congress threw open the doors on tariffs and access, only to find very few products trickle through. These additional barriers must be addressed in order for more sub-Saharan African countries to fully take advantage of the benefits provided under AGOA and grow their economies.

The Agriculture sector is one that demonstrates the needs across all three of these issues. Sub-Saharan Africa is home to 50 percent of the world's uncultivated arable land and could be a major export area for the continent. Yet, it is only expected to produce 15 percent of its own projected food demand by 2030. Barriers to agricultural growth are similar to the barriers in other economic sectors on the continent: lack of regional integration and technical capacity. Before Africa can better utilize the trade preferences AGOA provides, there must be better intra-African value chains throughout the region. This means transportation infrastructure with shorter waiting times at border crossings and ports. It means harmonized regulations and standards throughout the region, to facilitate linkages in the value chain and cross-border collaboration between companies. And it means greater technical assistance from the U.S. Government on sanitary and phyto-sanitary standards, so that African produce can be shipped globally.

#### *Trade and Technical Capacity*

Trade capacity-building is essential for ensuring the utility of AGOA for eligible partners and addressing nontariff trade barriers. Trade capacity-building covers a variety of activities, including efforts to strengthen economic policies; remove trade barriers; build well-functioning economic, political, and legal institutions; improve regulatory policies that affect the way firms compete; and improve private sector operating practices and strategies.

According to the USAID database on trade capacity-building there are 21 U.S. Government agencies that spent over \$711 million in trade capacity-building assistance in 2013.<sup>3</sup> This assistance is given in 20 different categories. While all of these

agencies are doing good and necessary work, we need greater coordination and streamlining among these agencies to ensure maximum efficiency and return on our investment.

We must also recognize that our African partners know best what they need, and ensure that we are listening to what business owners, local leaders, and government officials in African countries are asking for. The U.S. Government must do a better job of properly targeting resources for capacity-building projects that are based on locally identified capacity gaps.

Also, we recognize our partners in Africa often lack the technical assistance and knowledge to be able to navigate the complex web of agencies that participate in setting standards for trade.

#### *Regional Integration*

As the United States main Africa trade promotion vehicle, AGOA should encourage and facilitate more intra-Africa trade. Trade barriers, including nontariff barriers, between African countries are among the highest in the world. USAID and USTR are working through the Obama administration's Trade Africa initiative to address the need for further regional integration and intra-African trade. In its initial phase, Trade Africa is focused on a partnership with the East African Community.<sup>4</sup> It aims to double intraregional trade among EAC member states, increase exports from EAC member states to the United States by 40 percent, and reduce the average time it takes to import or export a container from a land-locked country by 15 percent, and to decrease by 30 percent the average time a truck takes to transit selected borders.

From 2013–2014 there was a 24-percent increase in exports of goods from the EAC to the United States. Container transit times from Mombasa to Kigali have decreased from 21 days to just 6 days, and associated costs are down by over \$1,700 per container.<sup>5</sup> This is excellent progress and we need more targeted assistance like this, having a real impact on the cost of production that increases the competitiveness of goods from African countries.

We also believe Millennium Challenge Corporation can be a key player in improving regional integration, and believe this legislation should give MCC the authority to pursue regional compacts. MCC has already provided over \$3 billion in trade-related assistance to 14 AGOA eligible countries since its creation in 2004. With regionally focused compacts, MCC could significantly improve trade and investment between and among countries in Africa. By promoting cross-border engagement, MCC regional compacts would help create larger and more harmonized markets for trade and development and, at the same time, open new opportunities for American companies.

#### *Infrastructure and Energy*

Lastly, sub-Saharan African countries are struggling with insufficient critical infrastructure. Without adequate roads and ports, they cannot get their goods to market. Transportation costs can equal up to 77 percent of the value of exports, making African products uncompetitive in the global market place. In addition, electricity costs are enormous because a scarcity of grids means that producers are forced to pay for expensive generators and diesel fuel to power their activities.

Among the massive infrastructure deficit on the continent, we believe electricity is a critical challenge we should meet immediately. This is why ONE strongly supports the introduction and passage of the Electrify Africa Act as soon as possible. This legislation would support expanding access to catalyze investment in the energy sector in Africa, generating 20 new gigawatts of power, providing first-time access to 50 million people by 2020. The bill uses already existing government resources, allowing us to reach these goals with no additional appropriations needed.

Nearly half of all African businesses cite the lack of reliable energy access as their biggest obstacle to growth. When electricity provided from the grid is not reliable, businesses must run diesel generators to keep their operations functioning. Pulling energy from a generator costs somewhere between three and six times what electricity from the grid costs worldwide.<sup>6</sup> Higher energy prices increase production costs, making manufacturing in Africa uncompetitive, slowing job growth, and slowing annual GDP growth by an estimated 1 to 3 percentage points.<sup>7</sup> In Kenya 57 percent of businesses own generators; in Tanzania it is 42 percent; and in Ethiopia, 41 percent.<sup>8</sup> In South Africa, growth fell from 2.2 percent in 2013 to 1.5 percent in 2014, due in part to electricity supply constraints.<sup>9</sup>

Access to safe and reliable electricity at competitive costs is essential to economic development. In order for African businesses to be competitive in the global market place, we must address these very real and serious infrastructure challenges that

are currently serving as nontariff barriers to trade, both within Africa and between Africa and the rest of the world.

One year ago, I sat at this very table at a hearing on energy poverty, and bipartisan legislation very nearly passed in December. We hope the Senate will move expeditiously to pass the Electrify Africa Act, which, along with speedy passage of AGOA, would be a one-two punch to support economic growth and poverty reduction in Africa.

#### WHAT IS NEXT FOR THE U.S.–AFRICA TRADE RELATIONSHIP?

While we strongly support AGOA, we believe there is much more the United States Government can and should be doing to enhance trade with sub-Saharan African countries. The statement of policy in the original AGOA legislation expressed support for negotiating reciprocal and mutually beneficial trade agreements. As Congress moves to reauthorize and improve AGOA, now is the time to look beyond preferences, and recognize the need for reciprocal trade agreements in this rapidly maturing relationship between the United States and the continent.

In 2015, sub-Saharan Africa's GDP is expected to grow at 4.5 percent, making it the fastest-growing economic zone in the world, outpacing Asia's regional average of 4.3 percent annual growth.<sup>10</sup> This economic growth means there is a rising middle class in Africa, who are new consumers. The United States should be aggressively pursuing agreements that would allow these new consumers to buy American goods.

The European Union and China are both actively pursuing reciprocal trade relationships with sub-Saharan Africa. During the same period that U.S. exports to Africa grew by a multiple of 3, China's grew by a multiple of 13, from \$4.4 billion to \$56.3 billion. In fact, in 2011, U.S. and Chinese exports of machinery and transport equipment to sub-Saharan Africa represented 41 percent and 40 percent, respectively, of the value of the two countries' total exports to sub-Saharan Africa. But China's exports of machinery and transport equipment was almost triple the value of the United States. If the United States continues to be satisfied with the non-reciprocal AGOA as the primary feature of our trade relationship with Africa, we risk missing out on huge opportunities.

We would like to see the administration pursue an aggressive trade agenda in Africa over the next 18 months that moves beyond nonbinding Trade and Investment Framework Agreements. We would like to see the United States pursue Bilateral Investment Treaties that provide foreign investors with core protections against political risk and uncertain business environments. Currently the United States has only six BIT agreements in place, which collectively only cover 7 percent of regional GDP.<sup>11</sup> USTR should move to conclude the BIT's currently under consideration with Mauritius and the East African Community. Additionally and importantly, we also would like to see USTR begin pursuing negotiations on FTAs with at least two sub-Saharan African partners before the end of this administration.

We were pleased to see that the introduced AGOA legislation includes a requirement that USTR submit a report to Congress identifying African countries that have expressed an interest in entering into a FTA and evaluating the viability of pursuing a FTA, and plans for negotiating and concluding a FTA. This reporting requirement is a great start, but should be strengthened.

USTR should be required to report to Congress within 6 months of passage, and provide updates annually thereafter. The report should include a list of no less than five countries USTR identifies as potential targets for FTA negotiations. USTR should also be required to provide a roadmap of reforms necessary for African countries to be able to enter into a negotiation for an FTA. I hope that Congress will push USTR on this worthy goal, and strengthen reporting language to ensure USTR is proactive in this regard.

#### CONCLUSION

ONE supports AGOA and the U.S.–Africa trade relationship because we believe trade is an important tool to reduce poverty, promote job creation and the dignity that all people strive for, no matter where they live. I urge you to reauthorize AGOA as quickly as possible and strive to strengthen it; introduce and pass the Electrify Africa Act; and push the administration to pursue more reciprocal trade agreements with our partners in sub-Saharan Africa.

Of course, at ONE, we continue to believe our foreign assistance programs remain critical. The United States supports heroic work to combat HIV–AIDS, malaria, hunger, and poverty around the world, and this assistance will remain necessary for some time. But that time will be shorter when trade, not aid, defines our rela-

tionship with Africa. Now is the time for us to strengthen our resolve and redouble our efforts to boost economic growth in Africa.

Thank you for your time.

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Notes

<sup>1</sup> [http://www.brookings.edu/media/research/files/reports/2012/6/agoa/agoa\\_full\\_report.pdf](http://www.brookings.edu/media/research/files/reports/2012/6/agoa/agoa_full_report.pdf).

<sup>2</sup> Kenya at \$342 million, Lesotho at \$321 million, and Mauritius at \$199 million.

<sup>3</sup> African Development Foundation, Department of Agriculture, Department of Commerce, Department of Defense, Department of Health and Human Services, Department of Homeland Security, Department of Justice, Department of Labor, Department of State, Department of the Interior, Department of Treasury, Environmental Protection Agency, Export-Import Bank, Federal Trade Commission, Inter-American Foundation, Millennium Challenge Corporation, Overseas Private Investment Corporation, Peace Corps, Small Business Administration, Trade and Development Agency, USAID.

<sup>4</sup> Burundi, Kenya, Rwanda, Tanzania, and Uganda.

<sup>5</sup> <https://ustr.gov/about-us/policy-offices/press-office/speechestranscripts/2015/february/remarks-ambassador-michael-1>.

<sup>6</sup> McKinsey & Company. "Brighter Africa: The growth potential of the sub-Saharan Electricity Sector" pg. 1.

<sup>7</sup> Ibid.

<sup>8</sup> World Bank Enterprise Survey, World Bank Group, 2013.

<sup>9</sup> World Economic Outlook, International Monetary Fund, April 2015. Pg. 65.

<sup>10</sup> The Economist, "Africa is the Horizon: 2015 African Business Outlook Survey" March 2015.

<sup>11</sup> Cameroon (1989), the Democratic Republic of Congo (1989), Republic of Congo (1994), Mozambique (2005), Rwanda (2012), and Senegal (1990).

Senator FLAKE. Thank you, Mr. Hart.

Mr. Eisner.

**STATEMENT OF SCOTT EISNER, VICE PRESIDENT FOR AFRICAN AFFAIRS AND INTERNATIONAL OPERATIONS, U.S. CHAMBER OF COMMERCE, WASHINGTON, DC**

Mr. EISNER. Mr. Chairman, Ranking Member Markey, members of the committee, Scott Eisner, vice president for African Affairs at the U.S. Chamber of Commerce. Thank you for the opportunity to testify today.

I sit before you representing the American business community. This is a community that is as energized as I have ever seen it before, eager to partner with African businesses and governments alike to bring a new level of prosperity to our mutual citizens. We fully endorse the reauthorization of AGOA, one that includes all current and future beneficiaries, including South Africa. AGOA has not just created jobs in Africa, but it has also created jobs in the United States. For instance, jobs in the automotive industry have been supported back here in the United States thanks to Ford's investments in South Africa.

Since AGOA began, we have seen trade between sub-Saharan Africa and the United States triple, and we have seen rates of growth for many of these countries reach new heights that we never thought possible. Clearly we would not be where we are in our trading relationship with the continent had it not been for AGOA. For example, according to a report by the African Diplomatic Corps, AGOA has created over 300,000 jobs in sub-Saharan Africa and as many as 100,000 jobs in the United States. AGOA has indirectly created as many as 1.3 million jobs in sub-Saharan Africa as well. Exports from AGOA eligible countries to the United States were \$25.6 billion, more than four times the amount in 2001 they were last year. And U.S. exports—or U.S. imports from sub-Saharan Africa, including—excluding energy products, were \$4.4 billion, representing nearly a threefold increase.

As we approach the 15-year anniversary of AGOA, we look forward to a speedy reauthorization. However, I want to use my time before you today not to reflect on the successes of the past, but what the future has to hold and what will need to be done to build upon the success of AGOA.

Trade facilitation is critical for Africa's competitiveness, and it will reduce the cost for international and domestic merchants. While we have seen a number of tariff lines decline since the inception of AGOA, there remains a challenge to intra-Africa trade in the form of nontariff barriers that show the movement of goods, services, and people across borders.

The elimination of such NTBs will go a long way toward creating new opportunities for job creation across the multitude of sectors both in the United States and in Africa. It will also help with addressing many of the challenges that African traders face when trying to export goods to the United States under AGOA. Simply put, full implementation of the TFA is a win-win for Africa and the United States.

As we look at increasing capacity-building, many countries fail to take advantage of the duty-free benefits of the Preference Program. Major focus on improving AGOA is stabilization rate, specifically within nonenergy exports to the United States. Despite a significant increase of these exports to the United States, less than a million dollars is attributed to over half of the 39 AGOA beneficiary countries in 2014.

In order to get these figures out, the United States will need to double down its efforts in trade capacity-building. Greater reviews will need to be put in place and streamlining as well for funds allocated toward trade capacity-building toward the continent. We feel strongly that AGOA eligible countries should have to come up with AGOA action plan as well that would clearly lay out how they intend to utilize the Preference Program and what sectors they plan on emphasizing. Such action plans would aid the U.S. private sector a great deal by helping us to focus on key growth opportunities identified by the countries.

The Chamber applauds the U.S. Government for the work they are doing to address regional integration throughout the continent. Efforts to establish regional investment treaties with regional trading blocks, such as the East African community, help to strengthen the interests of U.S. firms who are looking to invest in the continent by expanding the total market size. Regional integration is also a key factor in bringing down the cost of cross-border trade that I referenced earlier in my testimony. Regional integration is key to helping Africa compete globally.

As we move beyond AGOA, we can all agree that it is an important part of our economic policy with the continent, but it cannot be only viewed as the only trade platform for us to engage with the diverse economies cross the continent. There is far too much at stake if we, as a country, simply stay the course. We need to find more effective ways to increase the two-way trading relationship between the U.S. and African markets, whether they be bilateral, or regional, or FTAs along the way.

The Chinese continue to eat our lunch in many sectors across the continent, Europeans are signing bilateral and regional trade

agreements left and right with African partners, and beyond competition from outside Africa we are seeing an increase of policies across the continent in such areas as local content, property rights, and the erosion of intellectual property that are impacting the ability for U.S. companies to invest. There has to be a better way for all stakeholders to engage on policy matters across the continent, whether it is the review of AGOA eligibility that needs to be implemented by our government to include a more robust private sector input or through the annual report to Congress that has not been published ???2008.??? We need to find a way to encourage our partners in Africa to have a more robust conversation with the American business community.

The day after AGOA has been reauthorized is the day that we need to reshape our trade agenda with the continent. I fear that if we do not, our competitors from abroad will have made it very difficult for us to compete effectively in the future.

Mr. Chairman, on behalf of the U.S. Chamber, I would like to thank this committee for affording me the opportunity to testify. As this Congress works to strengthen public policies and support private enterprise, the U.S. Chamber stands ready to help you in any way.

Thank you.

[The prepared statement of Mr. Eisner follows:]

PREPARED STATEMENT OF SCOTT EISNER

On the occasion of this hearing of the Senate Committee on Foreign Relations on the African Growth and Opportunity Act, I am pleased to testify on behalf of the U.S. Chamber of Commerce and our members. The Chamber is the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and is dedicated to promoting, protecting, and defending America's free enterprise system.

Across Africa, U.S. companies of all sizes and sectors see vast, often untapped possibilities for trade. The African Growth and Opportunity Act (AGOA) was enacted in 2000 and remains the cornerstone of U.S. trade and investment policy toward sub-Saharan Africa. The AGOA era has witnessed a significant improvement in economic conditions across the continent. Annual real gross domestic product (GDP) growth in sub-Saharan Africa was a half percentage point lower than global GDP growth in the decade prior to AGOA. Since its 2000 passage, sub-Saharan Africa's growth averaged 6.3 percent, more than 2 percent higher than the 3.9 percent world average.<sup>1</sup> AGOA is a small but real contributor to this positive trend. This growth is linked not just to U.S.-Africa trading relations but to engagement with the entire global economy.

The decade following AGOA's enactment has seen the continent's trade with the United States almost quadruple since 2001 with AGOA imports totaling \$25.6 billion in 2014.<sup>2</sup> It has led to the creation of thousands of American and African jobs and has helped expand Africa's middle class to nearly 350 million consumers.<sup>3</sup>

However, economic policies in many African nations have for too long served as a drag on intraregional trade and investment. The region remains home to many of the world's poorest countries with major economic challenges linked to inadequate infrastructure, access to skilled labor, and insufficient power generation. Furthermore, trade with the United States has consisted largely of oil, gas, and minerals.

In this context, AGOA's expiration on September 30, 2015, provides the opportunity to review AGOA's integral role within U.S.-Africa relations and to readjust the legislation to Africa's changing economic and political environment. The Africa of today is not the same commercial partner it was in 2000, and these changes call for an evolution of U.S. trade policy with an emphasis on increased private sector investment and two-way trade.

As stated by U.S. Trade Representative Michael Froman, "If we are able to achieve sustainable development, it is our view that investment must be the driver."<sup>4</sup> In reviewing AGOA, we must recalibrate our trading preferences to account

for recent changes and maximize the full potential of this preference program for all countries involved.

#### AGOA'S PERFORMANCE

As the cornerstone of U.S.-Africa trade policy, AGOA is central to U.S. strategic interests. The Act represents a shift from our traditional aid-based approach to the continent to one favoring trade and commercial investment.

The first priority of AGOA, as written in the legislation, is to “promote stable and sustainable economic growth and development in sub-Saharan Africa.” Since AGOA’s enactment in 2000, trading relations between the United States and Africa have greatly expanded and are expected to increase in the near future:

- AGOA has directly created over 300,000 jobs in sub-Saharan Africa and as many as 100,000 jobs in the United States.<sup>5</sup>
- AGOA has indirectly created as many as 1.3 million jobs in sub-Saharan Africa.
- U.S. goods exports to sub-Sahara were \$24 billion in 2014, up 250 percent from 2003.<sup>6</sup>
- Exports from AGOA eligible countries to the United States were \$25.6 billion, more than four times the amount in 2001.
- U.S. imports from sub-Saharan Africa, excluding energy products, were \$4.4 billion representing a nearly threefold increase since 2001.<sup>7</sup>

While AGOA has provided the framework for enhanced U.S.-Africa trade, it would be unwise to merely extend the legislation without accounting for the changed economic landscape. AGOA can be enhanced so that the potential benefits are maximized for American and African businesses.

AGOA has played a leading role in helping sub-Saharan African countries diversify their exports to the United States. However, many countries fail to take advantage of the duty-free benefits of the preference program. A major focus of improving AGOA is in its utilization rate, specifically within nonenergy exports to the United States, which have increased by more than 275 percent since 2000—rising from \$1.2 billion to \$4.4 billion in 2014. Apparel products remain the largest nonenergy category, followed by automobiles and other manufactured goods.

Despite a significant increase of nonenergy related exports to the United States, less than \$1 million is attributed to over half of the 40 AGOA beneficiary countries in 2014. The few countries that account for the bulk of nonenergy exports include:

- U.S. imports from South Africa totaled \$3.1 billion (2014);
- U.S. imports from Kenya totaled \$423 million (2014);
- U.S. imports from Lesotho totaled \$289 million (2014);
- U.S. imports from Mauritius totaled \$227 million (2014).<sup>8</sup>

AGOA’s renewal allows us the opportunity to examine options to improve its utilization by African countries and AGOA’s long-term contribution to the transformation of their economies. Inclusion of new agricultural products would be of great value to many agro-based African economies. Enhancing and extending the duration of the AGOA third country fabric provision is another step the Chamber supports.

We must also review the U.S. Government’s aid expenditures in Africa. Some of these funds should be directed to build Africa’s technical capacity under the AGOA program in a more substantial way than currently used.

#### THE COST OF INACTION ON RENEWAL

Unfortunately, AGOA’s pending expiration is already undermining business and investor certainty. Companies operate with long planning horizons, and sourcing decisions are made many months or even years in advance. For this reason, the expiration of AGOA in a little more than 5 months has begun to affect business decisions, and this dampening effect on trade will accelerate in the months ahead.

If the program were to expire, many of the significant gains made by African economies would be undermined. By contrast, immediate action by Congress for AGOA’s renewal would send a strong signal of confidence to the U.S. business community and to our potential business partners in African countries. It would also confirm our commitment to growing the U.S.-Africa economic partnership for the long-term and building on its historic economic growth.

AGOA is central to the dialogue between the United States and African countries on two-way trade and investment. Opportunities such as the annual AGOA Forum and our bilateral strategic dialogues present an opportunity to continually review the trade-preference program as well as review the health of our trading relationship. In this vein, we must put greater emphasis on the functionality of these events



on an annual basis and in consultation with the end user; i.e., the business community, to determine if they are being used in the most efficient manner.

AGOA gives the U.S. administration the opportunity to conduct an annual review to consider whether countries are meeting the Act's eligibility criteria, a process that allows the United States to positively influence political and economic reforms among AGOA beneficiaries. In light of this opportunity, Congress should consider whether to enhance AGOA's eligibility criteria in ways that foster greater two-way trade. These may include intellectual property protections, customs regimes, regulatory and legal standards, and measures taken to implement the World Trade Organization (WTO) Trade Facilitation Agreement (see below).

Many other major trading nations have been active in securing preferential trade agreements with Africa, including the Economic Partnership Agreements of the European Union, as well as agreements with Brazil and China. While AGOA is a one-way trade preference program, it also represents our primary vehicle for pursuing a broader trade agreement securing market access for both the United States and Africa. As long as the European Union is the sole recipient of reciprocal tariff elimination with several African countries, U.S. firms will remain at a competitive disadvantage in these markets. Looking ahead, the most significant role of AGOA's reauthorization will be in providing a foundation in which our government and business leaders can forge a more dynamic trade and investment relationship with African countries beyond a one-way preference program.

#### THE WORLD TRADE ORGANIZATION AND AFRICA

The Chamber is firmly committed to the global rules-based trading system embodied by the WTO. In the view of Chamber members, the multilateral trading system embodied by the WTO has benefited the entire world, including Africa. Eight successful multilateral negotiating rounds have helped increase world trade from \$58 billion in 1948 to \$22 trillion today. This is a fortyfold increase in real terms, and it has helped boost incomes in country after country.

While this rising tide of commerce has brought gains for developed countries, its most dramatic benefits have accrued to developing nations, including Africa. As recently as 1993, 1.9 billion people—nearly half the world's men, women, and children—lived on \$1.25 a day or less, in constant 2005 dollars. Since then poverty totals have been falling fast. By 2000 the number of people in absolute poverty had fallen to 1.7 billion, and the share of world population to 28 percent. The most recent estimates issued by the World Bank find the totals down to 1.2 billion people and 17.5 percent of population.

While no single factor explains these income gains, the rise in international commerce has by all accounts played a major role. The economic growth that trade helps fuel contributes to educating the young, building essential infrastructure, strengthening institutions of governance, and combating measles, malaria, and other preventable illnesses.

#### THE WTO TRADE FACILITATION AGREEMENT

At the Bali Ministerial, trade ministers unanimously endorsed the first multilateral trade agreement since the organization's creation in 1995. The Chamber warmly welcomed the Trade Facilitation Agreement (TFA), the principal deliverable in the Bali Package, as a cost-cutting, competition-enhancing, anticorruption agreement of the first order. It promises to streamline the passage of goods across borders by cutting redtape and bureaucracy and promoting border modernization for customs clearance around the globe.

The final agreement has surprised observers with its quality as countries accepted stronger commitments than had been anticipated. Unlike free-trade agreements (FTAs) negotiated by two or several parties, the dynamic at the 159-member WTO often leads to the lowest common denominator; however the final version of the TFA is still impressive. To illustrate, the agreement includes more than 120 "shalls" (indicating obligations binding on all parties) and only a few dozen instances where governments made weaker "best endeavor" commitments.

In a major change for dozens of developing countries—especially in Africa—the TFA will require countries to transition fully to modern border practices under which goods are cleared through customs independently of the final determination of duties and taxes. Countries will migrate to electronic processing of required information to allow clearance through customs before goods arrive in the country. Countries will also look to modernize risk-based targeting.

The true value of a trade agreement lies in its effective implementation. In this process, WTO members will list all the provisions they commit to fully implement by the time the Agreement enters into force, with the goal of securing the necessary

ratifications by two-thirds of WTO members by December 2015, when the WTO will hold its 10th Ministerial Conference in Nairobi, Kenya—the first time this biannual event will be held in Africa. Particularly in the case of developing countries, this represents an opportunity to highlight a strong commitment to efficient customs and port procedures before the global business community and private investors, and bold reformers are likely to see economic benefits in the form of increased trade, investment, and growth.

The Chamber is making concerted outreach to governments in Africa and elsewhere to encourage them to take on their commitments in a fulsome manner and to underscore the international business community's keen interest in seeing these reforms advance. We strongly support the administration's efforts to ensure the TFA enters into force in a timely manner and on the most commercially meaningful terms, and we encourage Congress to continue to support these efforts as well.

#### ELECTRIFY/ENERGIZE AFRICA

Another U.S. Chamber legislative priority is the Electrify Africa bill, which the House approved in the previous Congress last May. Similar legislation in the Senate has been named Energize Africa. Insufficient power generation is a leading factor in AGOA's low utilization rate which inhibits the growth of businesses and disrupts supply-chain networks. This bill would assist countries in developing a wide range of power solutions, promote economic growth, and remove a major obstacle in the development of many African economies.

With no additional expenditure by the U.S. Government, the Electrify Africa Act would encourage the development of new infrastructure to provide access to electricity in sub-Saharan Africa. More than 70 percent of the people in the region have no access to electricity, with grave consequences. Indoor air pollution from wood and dung burning stoves kills more than 3 million people per year—more than AIDS and malaria combined. By promoting reliable access to energy, this bill would help remove one of the continent's most significant barriers to development.

Given that Africa is home to a number of the fastest growing economies in the world, this bill has the potential to generate significant new economic opportunities for U.S. companies and the workers they employ. Broader access to electricity would allow a larger middle class to emerge, providing opportunities for U.S. companies. Appropriately, the bill places an emphasis on the role of the private sector as it promotes access to electricity. The Congressional Budget Office (CBO) estimates that implementation of the Electrify Africa Act would save the United States \$86 million from 2014–2019.

#### TRADE PROMOTION AUTHORITY

In order to build upon AGOA toward bilateral and regional reciprocal trade agreements, Congress must pass Trade Promotion Authority (TPA). TPA is a vital tool for the negotiation of new trade agreements; without it, the United States has never passed a major trade pact. TPA allows Congress to facilitate a revitalized trade agenda through three ways: (1) It allows Congress to set negotiating objectives for new trade pacts; (2) it requires the executive branch to consult extensively with Congress during negotiations; and (3) it gives Congress the final say on any trade agreement in the form of an up-or-down vote. The result is a true partnership stretching the length of Pennsylvania Avenue.

A simple form of TPA was first approved in 1934, but the latest version lapsed in 2007. TPA will not only be critical for the success of AGOA's legacy but also for the opportunity to move beyond this program to a more robust trade agenda with the continent.

#### EXPORT-IMPORT BANK

The U.S. Chamber of Commerce strongly supports the reauthorization of the U.S. Export-Import Bank (Ex-Im), which is a vital part of the American economy, especially to the small- and medium-size businesses. Ex-Im supports over 150,000 American jobs at 3,000 companies that depend on the Bank's services in order to compete in global markets. Failure to reauthorize Ex-Im would put at risk hundreds of thousands of American jobs and would hurt many small- and medium-size businesses. Without the Bank's services, American companies would lose crucial support overseas and fall behind foreign competitors.

Sub-Saharan Africa is a priority region for Ex-Im Bank, with over \$2.05 billion in transactions in over 20 countries being supported by Ex-Im Bank in 2014. Since 2009, Ex-Im Bank has supported over \$6.6 billion in transactions throughout sub-Saharan Africa.<sup>9</sup> In addition, section 124 of AGOA directs Ex-Im Bank to expand its financial commitments of its loan guarantee and insurance programs to African

countries and supports Ex-Im's Africa Advisory Committee in fostering economic cooperation between the United States and sub-Saharan Africa. However, the Advisory Committee was not authorized in the most recent reauthorization of Ex-Im Bank and remains nonoperational.

The impending expiration of Ex-Im Bank as well as the current nonoperational status of the Africa Advisory Committee threatens the competitiveness of American firms in doing business in Africa. Countries such as Brazil, China, France, Germany, India, and Korea have their own equivalents of Ex-Im, and in recent years they have provided two to ten times the level of support for their exporters that Ex-Im has provided to American firms. If Ex-Im Bank including its Africa Advisory Committee are not reauthorized, U.S. companies would be at a sharp disadvantage in many African markets.

#### RECOMMENDATIONS

Given the rising importance of Africa to the United States, the Chamber urges that Congress and the administration consider these recommendations:

*Extend AGOA beyond 2015:* An extension of AGOA would benefit both the United States and all AGOA-eligible countries by providing greater predictability and stability for U.S.-Africa trade. In order to maximize AGOA's potential and to take into account the dynamic economic environment on the continent, the legislation should receive multi-year renewal.

*Expansion of Product Coverage:* The AGOA program excludes many products that could be of great value for trade with sub-Saharan Africa, and Congress should consider what products can usefully be added. The Chamber also supports the extension of AGOA's third country fabric provisions.

*Review AGOA's Eligibility Criteria:* AGOA should take into account the deliberate trade and investment actions of African governments. With the goal of enhancing economic growth and development, AGOA should encourage efforts to promote trade facilitation, expand market access, protect intellectual property, extend fair treatment to foreign investors, and enhance the business climate in other ways.

*Move Toward Regional Trade Agreements:* To maximize the potential benefits of U.S.-Africa trade relations, U.S. officials should consider how to use AGOA as a vehicle to move beyond a one-way preference program and toward bilateral and regional reciprocal trade agreements.

*Pass Trade Promotion Authority:* Trade Promotion Authority would drive economic growth and job creation in the United States through the negotiation of critical trade agreements. TPA will be a necessary tool for enhancing trade relations with African nations as we pursue bilateral and regional reciprocal trade and investment agreements on the continent.

*Press for Swift Implementation of the WTO Trade Facilitation Agreement:* The U.S. Government and business community should continue to press African nations to embrace a fulsome list of their commitments under the TFA to highlight their commitment to efficient customs and port procedures. Governments doing so would signal to the global business community their clear intent of real economic reform.

*Approve the Electrify/Energize Africa Act:* The Electrify Africa Act would encourage the development of new infrastructure to provide access to electricity in sub-Saharan Africa. By promoting reliable access to energy, this bill would help remove one of the continent's most significant barriers to development and would allow a larger middle class to emerge, providing a wide range of opportunities for U.S. companies in years to come.

*Reauthorize the Export-Import Bank:* The Export-Import Bank remains a vital part of the American economy and enables American firms to successfully compete in African markets. Reauthorizing Ex-Im and its Africa Advisory Committee would ensure assistance to American companies exporting to Africa.

#### CONCLUSION

The Chamber thanks the leadership of the Senate Subcommittee on Africa and Global Health Policy for convening this hearing on the African Growth and Opportunity Act. We look forward to working with Congress and the administration to advance the next reiteration of AGOA in order to further the trade and investment relations between the United States and the countries of sub-Saharan Africa.

#### Notes

<sup>1</sup>Data from International Monetary Fund, "World Economic Outlook," October 2014.

<sup>2</sup>Data from [http://dataweb.usitc.gov/africa/trade\\_data.asp](http://dataweb.usitc.gov/africa/trade_data.asp).

<sup>3</sup>African Development Bank, "The Middle of the Pyramid: Dynamics of the Middle Class in Africa," 2011.

<sup>4</sup> USTR, "Remarks by United States Trade Representative Michael Froman to the U.S. Global Leadership Coalition," press release, June 25, 2013.

<sup>5</sup> Office of Congressman Chris Smith, "African Diplomats Present AGOA Recommendations to Foreign Affairs Committee."

<sup>6</sup> Data from [http://dataweb.usitc.gov/africa/trade\\_data.asp](http://dataweb.usitc.gov/africa/trade_data.asp).

<sup>7</sup> CRS, "African Growth and Opportunity Act (AGOA): Background and Reauthorization," 2015.

<sup>8</sup> Ibid.

<sup>9</sup> Export-Import Bank, Africa (Sub-Saharan): <http://www.exim.gov/about/whatwedo/markets/africa/>.

Senator FLAKE. Thank you, Mr. Eisner.  
Mr. McRaith.

**STATEMENT OF WILLIAM McRAITH, CHIEF SUPPLY CHAIN  
OFFICER, PVH CORP., NEW YORK, NY**

Mr. McRAITH. Good morning. Chairman Flake, Ranking Member Markey, and distinguished members of the Senate Foreign Relations Africa Subcommittee, on behalf of PVH, I would like to begin by thanking you for your work on the recent introduction of the AGOA Extension Enhancement Act of 2015.

There are several portions of the bill that are of great interest to PVH and the overall business community, not the least of which is the decision to extend the United States partnership with Africa for the 10-year period. Large investments by U.S. companies in Africa that can have the most significance in job and economic generation on both continents depend in a large part on this lengthy AGOA renewal.

To start, allow me to introduce myself and the company that I represent. My name is William McRaith. I am the chief supply chain officer for PVH. The story of PVH starts with Moses Phillips and his wife, Ida, mending and selling shirts for local coal miners in a small town in Pennsylvania, and has grown to become one of the largest apparel companies in the world with over \$8 billion in revenues in 2014, employing approximately 16,000 people in the USA and 14,000 people globally.

PVH is now headquartered in New York with distribution sales in other corporate locations in California, Georgia, North Carolina, New Jersey, New York, Nevada, Pennsylvania, and Tennessee. Among other PVH brands include Calvin Klein, Tommy Hilfiger, Van Heusen, ARROW, IZOD, Warner's, Olga, and Speedo.

We are a dedicated global corporate citizen. Today there are over 4,000 retail locations that we have outside of the USA where our brands are sold. As we expand throughout the world, we have made an unwavering commitment to corporate social responsibility, which we believe can be a key competitive advantage as well as just the right thing to do.

My message today is simple and straightforward: Africa today is prime to receive the type of large private sector investment that will generate the economic growth we all envisage for Africa. The present infrastructure of global supply chains is changing fast and changing before our eyes, and soon large portions of the world's supply chains, mostly that which is currently based in Asia, will shift and soon be based in regions of Africa. Ensuring the presence of U.S. investment in Africa is crucial as this will not only generate economic growth for the United States, but it also creates jobs and exports U.S. values and business practices that are much needed in Africa.

U.S. businesses have been mostly absent from Africa to date. China is in Africa in a very large way mainly extractive in nature, but in turn is building the infrastructure of many of these countries. The European Union has also been involved. The U.S. presence is mainly in the form of assistance through legislation that seeks to build the trade capacity and facilitation mechanism in sub-Saharan Africa, combined with a 10-year AGOA extension, the United States is now shifting from merely an aid to a trade position.

Greater U.S. presence in Africa will also help develop an economic partnership and association needed to press for deepening of trade relations beyond the current policy of unilateral trade preference. We have seen this happen in countries in the Caribbean and the Latin America region who in the past enjoyed unilateral trade preferential relations through programs like the Caribbean-Based Initiative and the Andean Trade Preference Act. And with time, these relations blossomed and provided the political impetus needed to move towards a more lasting, deeper, and bilateral trade relationship with free trade agreements.

A little bit of our story in Africa. So approximately a year ago, we went to Africa. We actually took a trade commission to Africa with a number of our partners. On that trip, the companies that we took were persuaded, and the best description I would give of them is they were highly skeptical. In fact, the vast majority of them were just downright cynical on any opportunity that might exist in Africa mainly as a result of bad trips in the past. What we saw this time around really changed everyone's mind. We have always known of Africa's great, but raw, potential, form of resources. But aspects related to good government have in general always been—has had much to desire.

This time was very different. The countries we visited demonstrated that we had laid the foundations necessary to track significant foreign and direct investment, and we were prepared to undertake—and they were prepared to undertake the commitments necessary to ensure social responsible companies like ourselves can enter. The level of professionalism, commitment, and maturity that we are seeing from some governments in Africa reassure of our interest not only to source from Africa, but also to produce in Africa.

As a result of our trip, we identified a great opportunity for the industry to invest nearly a billion dollars to create a vertically integrated apparel supply chain in some regions of Africa, in other words, to create jobs in Africa, not just in apparel, but also in textiles and even the agricultural industry through better cotton production techniques.

Moving forward, as we plan to invest in countries in Africa, we plan to do it through a more inclusive model of investment and growth in which we will be able to put in place right from the very beginning facilities, norms, and values that will guide the work of the factories, the relationships between workers, managers, associations, civil rights societies, governments, and other stakeholders. In all communications with African leaders and officials we have stressed that PVH is not interested in making a quick buck, but in establishing a lasting presence in the country. In order to do so, they must equally be committed to upholding the sustainable social

standards we require across all sectors and all investors who participate. As I mentioned previously, some indicated that they actually want partners like PVH to help them to implement these practices.

We think the 10-year extension is a great start for PVH, and we are very pleased with the bill as introduced. However, we submit that while we have the chance to make changes to the bill we should consider a couple of additional simple modifications. We applaud the provision introduced with the proposed language that allow for a 60-day notification to Congress, and we assume the business community knows of a proposed termination to terminate a country's eligibility. However, in practice a 6-month timeline may be more effective. Secondly, an important change would be to remove the visa requirement. Current apparel shipments require a visa to accompany each shipment. This requirement of quota system is outdated and unnecessary.

Congress must work hard and in hand with the business community by passing a long-term AGOA extension. We look forward to working with the members of the subcommittee, other Members of Congress, with the administration to share our business perspective and ensure that we do not lose the momentum and this tremendous opportunity that awaits Africa.

As someone who has been involved in global operations for over two decades, I always have to ponder the question, where is the next region of growth? I believe we have the answer. It is Africa.

I thank you again for this opportunity, and I look forward to discussing it further and answering any questions you may have. Thank you, Mr. Chairman.

[The prepared statement of Mr. McRaith follows:]

PREPARED STATEMENT OF WILLIAM McRAITH

AGOA EXTENSION WILL BOOST INVESTMENT IN AFRICA

My comments today represent the views of PVH, although I'm certain that they reflect the thoughts of many other companies. In short, my message is simple and straightforward: Africa today, is primed to receive the type of large private sector investments that will generate the economic growth we all envision for Africa. The present infrastructure of global supply chains is changing before our eyes and soon large portions of the world's supply chain, mostly what is currently based in Asia will shift and be based in regions of Africa. The proposed 10-year extension of AGOA sends a message to U.S. companies that their investment in sub-Saharan Africa will be given sufficient time to turn a profit. Ensuring the presence of U.S. investment in Africa is crucial as this will not only generate economic growth for the U.S., but it also helps create jobs and export U.S. values and business practices that are much needed in Africa.

Quite frankly, heretofore, the U.S. has been mostly absent from Africa. China is in Africa in a very large way, mainly extractive in nature but in turn is building the infrastructure of many countries. The EU has been involved at a "commercial" level which enabled them to recently reach agreements with many sub-Saharan countries for an eventual reciprocal free trade agreement. The U.S. has mainly shown only an "assistance" presence in Africa. It is time now to move from "aid" to "trade." The electrify Africa initiative and other legislation that seeks to build the trade capacity and facilitation mechanisms in sub-Sahara Africa combined with the 10-year AGOA extension will embolden U.S. investors to enter those markets.

With U.S. investment comes the export of good business practices. We export good business standards, worker rights policies and do not allow corruption. These basic standards are why the queue to work at a U.S. brands or U.S. company abroad are many times longer than that of other foreign investors. Workers know that they will be treated fairly by U.S. companies.

It is important to note as well that over time, greater U.S. presence in Africa will also help develop the economic partnerships and associations needed to press for deepening our trade relations beyond the current policy of unilateral preferences. This extension will allow us time to create incentives to link the business communities of the two continents through AGOA. The U.S. has already seen this happen for example with countries in the Caribbean and Latin America, where after decades of unilateral trade preferences relationships through programs like the Caribbean Basin Initiative or the Andean Trade Preferences Act, the business relationships blossomed and provided the political impetus needed to move toward more lasting, deeper and bilateral trade relations.

I fully realize that Africa is a vast region, with many countries still struggling mightily to achieve a modicum of the stability and investment potential that I just described. That is why despite the low costs of labor in Africa, many companies, including PVH, have been hesitant in the past to invest or move production there. However, I strongly believe that as more and more countries in Africa start seeing the growth and success of their neighbors, they will move toward making the changes necessary to take part in the success that can be achieved through strong governance and foreign direct investment. The changes in Africa are likely to take place first in specific regions and clusters and then spread out to others areas of the continent.

#### OUR RECENT BUSINESS ADVENTURE TO AFRICA

PVH has been monitoring Africa for several years as a potential location for production, as we sought to identify opportunities to improve our supply chain. The company has been a pioneer in driving investment and development, and we like to be the first into an area to help establish the workplace rules to be followed by future investors and market participants.

Let me share with you a story about a trip we made to Africa 2 years ago. PVH organized the trip and invited several other companies in the apparel and textile sector to conduct an exploratory business mission to countries in East Africa. Many of the companies we invited were hesitant to make the trip, being either skeptics or downright cynics, given that similar missions in the past had not yielded much success. Leveraging our long-term relationships, we convinced them to come with us and give it another chance.

What we saw this time around changed everyone's mind. We have always known that Africa has great but raw potential in the form of resources. But aspects related to good governance have in general always left much to be desired. This time it was different. The countries we visited demonstrated that they had laid the foundations necessary to attract significant foreign direct investment and were prepared to undertake the commitments necessary to secure socially responsible companies. The Ministers and key government officials with whom we met were passionate in sharing their vision of growth for their countries. They spoke of adherence to the rule of law, free markets, government stability, and transparency. They highlighted major and well thought out modern infrastructure projects that were recently completed or about to be finalized. They understood and showcased the economic advantages that their countries have compared to others in the sub-Saharan region. Most importantly, they spoke about their commitment to their people by bringing investment and education to the country that will truly touch—for good—the lives of their citizens.

The level of professionalism, commitment, and maturity that we are seeing from some governments in Africa reassures our interest to not only source from Africa, but to produce in Africa. Every one of the other companies we had initially cajoled to join us on the trip agreed that Africa is ready for significant investment. They, and I, saw the opportunities that reminded us of some apparel production powerhouses today—and where they were 20 years ago. As a result of our trip, we identified a great opportunity for the industry to invest nearly a billion dollars to create a vertically integrated apparel supply chain in some regions of Africa. In other words, create jobs in Africa not just in apparel, but also in the textile and even agricultural industry through better cotton production techniques.

While much work remains to be done, the initial foundations are there. As a result, Congress must send an unequivocal signal to the investor and business community that it truly is interested in seeing Africa develop and stand on its own two feet by promptly approving the bill that will extend AGOA. AGOA preferences are the thread that will keep together Africa's enormous potential.

## PVH IS INTERESTED IN BUILDING VALUES AND A NEW PRODUCTION MODEL IN AFRICA

Apparel production has generally been one of the first industries to invest in low-income countries. It is undeniable that there are significant cost advantages that come to companies sourcing from Africa, but this is not the only motivator or factor that PVH considers in making strategic decisions about the countries where we place production. Over the last 30 years, we have seen the great good that can come to these countries from the jobs created and the economic boost that our industry gives these countries. On the other hand, it is undeniable that there have been instances in which costly and even tragic mistakes have been made.

The apparel industry's mistakes of the past have often been the result of near-sighted investment in lawless environments. That model must and will change rapidly. For PVH, the value of our company is in the public's perception of our brands, thus we cannot risk our reputation being tarnished by pursuing short-term growth strategies when it comes to our sourcing decisions. PVH is interested in being a partner in a long-term strategy for growth in the countries where we operate and with the people who work with us. We want to be in places where we can install not just good factories, but codes of conduct, values, environmental sustainability, positive worker relations, and the highest business and ethical principles to ensure the long-term success of our commitments.

As a result of this commitment by PVH, countries in Africa where we invest will be the beneficiaries of a new and more inclusive model of investment and growth in which we will be able to put in place, right from the beginning, facilities, norms, and values that will guide the work at the factories and the relationships between workers, managers, associations, civil society groups, governments and any other stakeholders. That is why when we look at Africa we do not just look for a place to quickly set up a sewing operation. We know that to be successful you need to have a clear line of sight throughout your entire supply chain structure. To that end, we are identifying our best global supplier partner companies to join us on this journey. These are entities with which we have developed long and trusting relationships. We know that they meet PVH corporate social responsibility standards and are companies that we can trust to work with us in our mission.

Further, in all our communications with African leaders and officials, we have stressed that PVH is not interested in making a quick buck, but in establishing a lasting presence in their country. In order to do so, they must be equally committed to upholding the sustainable social standards we require across all sectors and with all investors and participants. We have asked those governments to review their Corporate Social Responsibility code at all levels and develop both educational and enforcement programs to ensure compliance. We asked each of them how they wanted the Brand name of their country to be thought of 10 years from now as the decision they made would ultimately determine the answer. As I mentioned previously, some indicated they want partners like PVH to help them implement these practices as the baseline standards in their country.

## AFRICA CAN BE VERTICALLY INTEGRATED

The possibilities for investment in Africa are there and we need to encourage U.S. companies to lead the way to investment because after 20 years of learning, we are positioned today to bring good business practices, standards, and ethics to the region. I mentioned earlier that based on our recent trips to Africa, coupled with our experience with supply chains around the world, has lead us to explore an investment path in Africa where the countries where we have presence will be more than just seamstresses. Instead we envision becoming the world's first example of how to proactively build a fully vertical, ground to finished product, socially responsible supply chain.

The old model of only cutting and sewing operations that can be installed and removed with relative ease does not fit with our vision of Africa. Africa can attract investment in other added value processes in apparel production such as cotton growing, yarn-spinning, weaving, and logistical operations. Cotton growing is a main staple in several African countries. Further, for man-made fibers they have the petroleum and natural fiber basics such as bamboo that can be converted to apparel yarns. In many countries, English is the primary or one of the top three primary languages, which makes it easier to train workers and future managers. When political and policy stability is added to this mix, we see no reason why some regions in Africa cannot developed into fully vertically integrated value chains.



## OTHER AREAS IN WHICH THE U.S. CAN HELP

In addition to a long-term renewal of AGOA, there are other ways by which the U.S. can partner with Africa to achieve a fully vertically integrated model of production. For instance, there is cotton production in Africa today, but is very inefficient and of poor quality compared to the high yields and high quality cotton produced in other areas. Many countries in Africa have been forced to source from Asia in recent years despite their fertile grounds and historic tradition as cotton growers. This can be changed by creating partnerships between developed and developing countries in Africa that would help transfer know-how to African farmers and facilitate the move from artisan to technologically advanced methods of growing and harvesting. Helping them to implement farming practices that use less water, less pesticides, and have higher yields per acre will leapfrog them into the 21st century. Implementing harvesting practices that use machines rather than people will help minimize labor risk potentials. Instituting cotton grading practices that mimic our own system will help ensure quality product and reliability for purchasers.

Training workers and management is also essential and this is another area where developed countries' know-how can prove crucial. Allowing employees access to visas to travel to the U.S. for training in our practices and systems will enable us to ensure that best practices are exported and put in place globally. Trade infrastructure projects are critical, and in this regard we salute current congressional efforts to promote energy investments in Africa. We also support the Trade Facilitation Agreement signed in Bali last year and look forward to its implementation. Creating support to the sub-Saharan nations to build an intraregional connectivity that will allow goods necessary for apparel production to transit the continent seamlessly will enhance the attractiveness of the continent and prevent each nation having to be completely vertically integrated on its own.

## CONCLUSION—IT ALL STARTS WITH AGOA RENEWAL

Congress can be a great catalyst for growth as well by matching the long-term commitment expected from the private sector by approving a lengthy extension of the AGOA program. Companies cannot commit to individual investments ranging in the hundreds of millions of dollars unless they have more certainty about the rules in place. We are embarking on these types of investment. However, it will take 12–24 months to set up very expensive yarn spinning, fabric weaving/knitting and apparelmaking facilities. We then need to train workers on the use of complicated machinery, build production capacity and be able to have benefits long enough to cover the full depreciation of our investments which takes in the ideal world 8 years . . . if we have any delays along the way, we will need the full 10-year period to recoup costs. The proposed 1-year AGOA extension is a strong signal showing that Congress is working with the private sector in helping Africa develop and diversify into economic independence.

We think the 10-year extension is a great start. There are some other changes that could be added which will make the program easier and more predictable. We applaud the provision in the proposed language that will allow for a 60-day notification to Congress and we assume the business community of a proposed determination to terminate a country's eligibility. However, in practice, the time needed to clear the production channel is 6 months. We would like to see this provision amended to allow 6 months notice. We can use that time to both unwind our production and to pressure the host government to take remedial action prior to the end of the 6 month period.

Secondly, an important change would be to remove the visa requirement. Currently, apparel shipments require a visa accompany each shipment. This can be electronically transmitted but it is a "barrier" to entry. It is a "sink" for possible government corruption. It requires financial investment of the foreign governments. It is a remnant of the quota system that was eliminated in 2005 . . . it is outdated and unnecessary.

PVH believes not only that Africa has great potential, but we believe that there are countries in the region that are ready to welcome the types of partnerships and investments that will yield significant economic gains in the next two decades. These economic gains will be accompanied by positive social changes in those countries, as they adopt the business and ethical values and practices that are the basis for attracting PVH and companies like us. With the right set of policies in place, Africa can also change the model of apparel sourcing by having a fully integrated supply chain that includes man-made fibers, cotton, yarn, textile, and apparel production. Congress must work hand in hand with the business community by passing a long-term AGOA extension. We look forward to working with the members of this subcommittee, other Members of Congress and with the administration to share our

business perspective and ensure that we do not lose momentum in the tremendous opportunities that await Africa. As someone who has been involved in global operations, I always ponder the question of where is the next region of growth. I believe we have the answer: It is Africa.

I thank you again for this opportunity and look forward to discussing it further and answering any questions you may have. Thank you Mr. Chairman.

Senator FLAKE. Thank you, Mr. McRaith. Mr. Williams?

**STATEMENT OF WALKER WILLIAMS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, LEADERSHIP AFRICA USA, WASHINGTON, DC**

Mr. WILLIAMS. Yes. Thank you, Chairman Flake. The opportunity to testify is very important to me because 15 years ago I had the privilege of working on the first AGOA program, and I am happy to say, and I will not go over what has been said by my fellow witnesses, that AGOA is and has been a success. In my view, it is the most comprehensive of all U.S. trade preference programs, providing preferential access to the U.S. market for a wide range of products. I sincerely believe AGOA has become the foundation of the United States-Africa relationship, and has accomplished its goal to shift our focus to include trade and investment.

The mission of AGOA and the private entities when it was launched 15 years ago still rings true today. It was to increase trade and investment, to strengthen the private sector, to reduce trade barriers, to support the rule of law, to reduce poverty, to provide economic reform, and to encourage regional integration.

Now, Mr. Chairman, I have been asked to address briefly three issues, AGOA's impact. I do not think I need to dwell on that too much because it has been covered by other witnesses, the challenges, and the approach to possibly changes that might enhance the U.S. position in the region.

Now, before I begin my remarks I would like to put on the record that Leadership Africa USA has been working since 2013 with African Ambassadors Group to renew AGOA. And we have recently launched the AGOA Action Committee and a Call to Action with Watts Partners, Bechtel, Chevron, the Corporate Council in Africa, the U.S. Chamber of Commerce, and key civil society organizations and several corporations, all supporting the reorganization of AGOA and beyond.

The three issues: AGOA has successfully increased two-way trade with Africa. Under AGOA, total exports from sub-Saharan Africa have tripled, and the amount of U.S. direct foreign investment has almost quadrupled. The good news and indeed more on the way—when Congress finally passes the AGOA Extension Enhancement Act of 2015. I support the actions of congressional leaders who put forward a bipartisan bill composed by the Senate Finance Committee and the House Ways and Means Committee. It references key AGOA issues, like extension, regional integration, eligibility, reporting, capacity-development, along with several other key trade issues.

Yesterday I had the privilege of listening to and witnessing the U.S. Senate Committee on Finance complete a markup of AGOA, GPS, and extend preferential duty program for Haiti. These actions to me signal that a legislative movement is underway for getting

AGOA authorized sooner rather than later, and one that I applaud with this congressional action.

Extension. I just want to make a comment on extension: 15 years versus 10 years. Leadership Africa USA, continues to support a longer renewal of 15 years, which has been suggested and is attractive to the business community because it provides predictability and certainty for investors, businesses, and most especially local businesses and women-owned businesses in Africa who would like to get into export and do business with the United States.

It also allows for supply chain development, and to do that several industries, particularly textiles and agriculture, need a longer timeline. I believe a longer timeline for AGOA's renewal to provide maximum investment in trade, and create jobs, and provide ownership opportunities for SMEs in America.

Eligibility, we are addressing that, and we recently had conversations about South Africa, and that points to the direction that we need to clarify eligibility and how we determine eligibility and annual reviews. It is a very important subject, and it lends clarity to the business community because they know what and how eligibility is going to be addressed, and it precludes surprises. So I am suggesting that I like what I heard from Senator Isakson yesterday, and I support the direction that he is moving in, and I think that it is a good solution because if you want regional integration, we need to keep South Africa in the mix with AGOA.

Capacity-building is very important as is infrastructure. We cannot have an Africa and an AGOA without infrastructure, and infrastructure should include energy, health, education, and, most importantly, power. I mean, there are 600 million people in Africa without electricity, and that is critical to AGOA's success.

I will close by saying I thank you for this opportunity, and I look forward to your questions.

[The prepared statement of Mr. Williams follows:]

PREPARED STATEMENT OF WALKER A. WILLIAMS

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

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

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

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

Before I begin my testimony I want to reference for the record Leadership Africa USA's AGOA efforts working with the African Ambassadors Group's AGOA renewal efforts and more recently our launching of the AGOA Action Committee and the "Call to Action" campaign with Watts Partners, Bechtel, Chevron, the Corporate

Council on Africa, the U.S. Chamber of Commerce and major civil society organizations supporting Africa.

#### ECONOMIC GROWTH AND INVESTMENT

AGOA has successfully increased two-way trade with Africa in many sectors such as horticulture, apparel, automobiles, ferroalloys, cocoa, chocolate and confectionary products. Under AGOA, total exports from sub-Saharan Africa have tripled and as AGOA countries improve their business and investment climate, the amount of all U.S. FDI has almost quadrupled. AGOA has also supported the diversification of sub-Saharan African economies; since 2001, nonoil, nonmineral exports under AGOA to the United States have increased almost fourfold, but at only \$5 billion, there is much room for growth. AGOA has also created approximately 350,000 direct jobs and 1,000,000 indirect jobs in Africa and 100,000 jobs in the United States.<sup>1</sup>

Earlier this year, U.S. Trade Representative (USTR) Michael Froman succinctly summed up AGOA's success as follows: "Under AGOA, total exports from sub-Saharan Africa to the United States have tripled and, as AGOA countries improved their business and investment climates, the stock of U.S. FDI has almost quadrupled. AGOA has also supported the diversification of sub-Saharan African economies; since 2001, nonoil, nonmineral exports under AGOA to the United States have increased almost four-fold, but at only \$5 billion, there is much room for growth."<sup>2</sup>

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

#### AGOA: ISSUES AND OPPORTUNITIES TO EXPAND AFRICAN EXPORTS

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

##### *Issue: Program Duration*

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

##### *AGOA Extension*

While AGOA has contributed to market growth, missed opportunities occur as a result of short or unpredictable project duration. One of the most critical considerations is the amount of time it takes for investment to take root or supply chains to expand. All supply chains need time to develop and companies will not invest in cross-border supply chains if they are not assured that their investments have a chance at success. AGOA can help defray this risk if it remains in place long enough. Ten years has been cited as the absolute minimum for even the most straightforward supply chain, but sectors like agriculture take even longer to develop. In the textiles and apparel sector, for example, investments typically are planned over 10-year periods, and returns on investment take 2 or more years.

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

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

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

#### *Third Country Fabric Provision*

The Third Country Fabric (TCF) Provision is a flexible rule of origin that allows AGOA beneficiary countries to receive preferential treatment for goods manufactured with fabric or yarn from non-AGOA countries and is also set to expire in 2015. The TCF provision has proven to be critical to supporting the growth in the textile and apparel sector, which has been accelerated by AGOA and is an important industry for a growing number of AGOA beneficiaries. The fastest-growing African exporters of apparel under AGOA from 2005–11 were Cape Verde, Ethiopia, Kenya, Lesotho, Madagascar, and Togo. In 2004, Kenya, Lesotho, Madagascar, and Swaziland relied upon the TCF provision to export 90 percent of textile and apparel goods under AGOA. Without the TCF provision, countries that rely on imported fabric to produce apparel would no longer be able to access U.S. market. USTR has urged Congress to renew AGOA and third country fabric provisions long enough "to encourage meaningful investment and sourcing"<sup>4</sup> and the AGOA Ambassadors Working Group recommends reauthorization "for a significant enough period of time (15–20 years) to inspire investor confidence and allow opportunities to take root and grow." The same applies to the Third Country Fabric Provision. The Ambassadors also note "if the prevailing economic growth rate in SSA is used as a base rate, it could take African LDCs a minimum of 20–25 years to reach the lower income level and develop the capacity to trade globally."

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

The Textiles and Apparel and Retail Industries have advocated for a long renewal because "[s]hort-term renewals don't provide enough certainty to enable industry to make capital-intensive investment decisions necessary to attract textile and footwear investments or affect long-term sourcing partnership decisions."<sup>5</sup> For the apparel industry, orders alone must be placed approximately 9 months in advance. The textiles and apparel industry has also argued that AGOA's third country fabric rule be concurrent with AGOA's duration and renewed for an extended period of time. Included in this group are:

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

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

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

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

*Issue: Program Coverage*

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

For instance:

- The African Union advocates for 100 percent QF treatment for all products, including agricultural products.
- A 2014 Brookings Institution study found that extending 100 percent DFQF treatment to AGOA beneficiaries would generate \$105 million for African producers at a loss of only \$9.6 million of U.S. producers. This benefit is derived almost entirely from the increased preferential treatment for the 1 percent of goods considered politically sensitive in the United States, and African exporters gained no significant advantage when DFQF was calculated at 99 percent.<sup>6</sup>
- The National Foreign Trade Council (NFTC) has proposed amending AGOA to include Regional Economic Communities (RECs) as eligible for AGOA benefits.

*Issue: Country Eligibility*

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

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

- Food Security;
- Additional Labor Standards; and
- Business Environment.

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

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

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

*Issue: Diversification of Exports Under AGOA*

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

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

*Technical assistance and capacity development*

The USAID Trade Hubs (now renamed Trade and Investment Centers) have helped some AGOA beneficiary countries develop National Investment and Export Strategies, designed to help boost exports under AGOA. The strategies identify potentially competitive products and industries and market gaps that could prevent growth at scale. For example, Mauritius has identified light manufacturing of cutlery and hardware as potentially competitive, but assistance is needed with branding. In Mozambique, there is great competitive potential for agriculture products, including cashews and coconut, but this potential is hampered by poor infrastructure and requires technical assistance to comply with foreign SPS requirements.

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

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

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

*Issue: Enhancing Agricultural Trade*

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

Despite challenges around agricultural trade, exports of agricultural products under AGOA have increased 8 percent. Those benefits are "widespread; nearly two-thirds of AGOA beneficiaries experienced significant positive increases in their agricultural exports as a result of AGOA."<sup>10</sup> AGOA has positively impacted the agriculture sector in sub-Saharan Africa, however, significant untapped potential for growth remains.

Agriculture employs over half of the population, roughly 65 percent, and approximately half of those employed in the sector are women. Agriculture growth is two to four times more effective at directly reducing poverty than growth originating in other sub-Saharan Africa sectors, and "for every 10 percent increase in farm yields, there has been a 7-percent reduction in poverty in Africa."<sup>11</sup>

TABLE 2: AFRICAN AGRICULTURAL EXPORTS

(Value and share by destination, 2012)

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

Source: Center for Global Development<sup>12</sup>

The Obama administration has recognized the need to reexamine the agricultural tariff lines excluded from AGOA and determine whether any additional products could be added due to possible shifts in political sensitivity.<sup>13</sup> We fully support this review.

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

The WTO G20 group of developing countries has pushed for changes to the TRQ rules during the Doha Round of trade negotiations. At the 2013 Bali Ministerial, part of the Doha Round, WTO Members reached a compromise agreement that stipulates that if tariff rate quotas for agricultural products remained underfilled, then the importing country will either accept goods at the lower tariff rate on a first-come, first-served basis until the quota limit is reached or issue an automatic import license upon request until the quota is filled. The compromise will be in place for 6 years unless WTO Members agree to renew or modify it. After the 6-year period, countries can opt out of the compromise agreement, which the United States has said it would do.

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

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

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

#### *Issue: Simplified Rules of Origin*

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

In addition to the rules of origin under AGOA itself, rules of origin across preference programs are an issue. Many developing and least developed countries are eligible to receive preferential treatment under programs from a number of countries, all with different rules of origin, which can quickly become trade restrictive for developing countries that lack capacity to navigate these complex and conflicting



sets of rules. Most AGOA beneficiary countries are also eligible to receive preferential treatment from the European Union (Everything but Arms), Canada (Least Developed Country Tariff Program), Japan (GSP), and Australia (Australian System of Tariff Preference), among others.

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

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

*Issue: Increasing Investment*

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

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

Sub-Saharan Africa's economies grew by an average of 5 percent in 2013, and growth is projected to increase going forward. Foreign investment is expected to be approximately \$80 billion in 2014. President Obama last year announced a commitment of \$33 billion investment in Africa by the U.S. Government, the private sector, and the World Bank. The President's Power Africa initiative also received funding of \$12 billion in August 2014 and will be an important counterpart program to AGOA, as energy is one of the major supply-side constraints facing increased trade. A renewed AGOA has the potential to encourage more American firms to invest in a diverse range of sectors throughout sub-Saharan Africa and help to keep the United States competitive in the region.

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

For instance, during the U.S.-Africa Leaders summit last year the United States announced a number of new trade and investment pledges for Africa. These new commitments include \$300 million annually to expand the Power Africa initiative, \$7 billion to the Doing Business Africa initiative, and additional funding for the New Alliance for Food Security and Nutrition. In addition, large commitments were made by the private sector and civil society at concurrent side events during the summit. These investments support increased exports under AGOA by enhancing infrastructure development, linking U.S. and African private sectors, reducing trade barriers in Africa, and supporting agricultural production in AGOA beneficiary countries.

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

*Issue: Targeted Trade Capacity-Building*

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

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

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

Capacity-building efforts could focus on reducing regional trade barriers and building capacity for higher value activities, particularly in areas that show promise and fall under AGOA like agriculture, textiles and apparel, and the leather industry. A possible agriculture investment example could leverage activities under the New Alliance for Food Security and Nutrition (which is also linked to the African Union's Comprehensive Africa Agriculture Development Programme (CAADP)) could be linked to AGOA eligible agricultural products in beneficiary countries and amplify the benefits generated under both programs. The Obama administration has also suggested improving the link between AGOA and infrastructure investment initiatives like the U.S.-Africa Clean Energy Finance and USAID funded development projects at the ports of Mombasa and Dar es Salaam and along the Northern and Central Corridors.<sup>21</sup>

In theory, the United States Agency for International Development (USAID) is the coordinator of trade capacity-building, but a 2014 GAO study found challenges with its structure. For example, the official agency strategy predates the creation of the Millennium Challenge Corporation (MCC), which means MCC's critical trade capacity-building activities are unaccounted for in USAID's coordination plan.<sup>22</sup> One widely supported proposal is the establishment of a more formal coordination process between the more than 12 implementing agencies of U.S. capacity-building assistance.

I would be remiss if I did not include in my testimony the importance of infrastructure to promote sociodevelopment and poverty reduction in Africa. Intentionally implicit in AGOA's mission is support for an infrastructure development strategic framework in support of regional and continental infrastructure development in energy, transport, water, health, ICT and power and electricity. Without a sustainable infrastructure base in Africa AGOA's true development impact will not be fully achieved.

According to the World Bank, just 16 percent of sub-Saharan African roads were paved in 2011, compared with 26 percent in Latin America, 65 percent in East Asia and 79 percent in OECD countries. Only 1 in 3 Africans had access to electricity, against 9 in 10 people elsewhere in the developing world. Poor infrastructure is a major impediment to even faster economic development; the continent loses 2 percentage points of GDP growth annually as a result of its infrastructure deficit.

The American business community continues to fight for initiatives such as the African Growth Opportunity Act (AGOA) because they believe more must be done to help our private sector compete in African markets. While others forge ahead the

United States may be falling behind. Companies operate with long planning horizons and sourcing decisions made many months or even decades in advance.

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

*Issue: Expanding Regional Trade and Integrating Africa Into Global Supply Chains*

We believe there is broad consensus on the need to support deeper regional integration. Regional market development holds particular promise for African economic development and increased investment alike. Regional trade can produce economies of scale, and AGOA could better link to and support regional harmonization efforts already underway, including the Trade Africa initiative. Although AGOA is a trade preference program that opens the U.S. market and not a bilateral trade agreement, greater focus on regional markets could strengthen the program's reach.

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

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

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

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

The Corporate Council on Africa and East African Business Council developed joint recommendations on trade facilitation that were presented at the August 2014 U.S.-Africa Leaders summit in the context of the U.S.-East African Community Trade and Investment Partnership and Commercial Dialogue, led by USTR and the Department of Commerce, respectively. Through The Corporate Council on Africa's Trade Working Group in partnership with USTR and Commerce are involved in actions that could be implemented to strengthen the agricultural and apparel value chains, improve digital trade, build the cold chain, and improve customs procedures and technology, including electronic payment systems. The U.S. Chamber of Commerce is leading a global effort on trade facilitation that is complementary of these efforts related to sub-Saharan Africa.

*Issue: Sustained High-Level Political Dialogue*

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

would help strengthen the relationship between the United States and Africa and improve confidence among investors and businesses.

Events like the historic U.S.-Africa Leaders summit which brought together President Obama and more than 40 heads of state from sub-Saharan Africa to discuss ways in which to increase trade and investment, enhance security, and strengthen democracy must be continued. Notably, China and the European Union, both of which have aggressive commercial policies on Africa, hold regular summits with African heads of state. For example, through the forum on China-Africa Cooperation, Chinese and African Ministers meet annually, and a heads of state summit is held every 3 years.

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

- Among the specific commitments achieved were: (i) increase investment in the New Alliance for Food Security and Nutrition, (ii) escalate Power Africa efforts through the Programme for Infrastructure Development in Africa (PIDA) framework and by providing \$300 million per year to achieve 30,000 MW power, (iii) expand U.S. trade and investment platforms, (iv) renew AGOA, and (v) provide \$7 billion in financing over the next 2 years under the Doing Business in Africa Campaign.<sup>24</sup>
- A recommendation from The AGOA Ambassadors Working Group supports more frequent congressional delegation visits to AGOA countries to enable legislators to witness the effects of AGOA and better understand the region's commercial opportunities and challenges, and help to inform future legislative decisions.

We recommend a summit-level meeting held every 2 years would build on the success of the 2014 summit and continue to enhance political dialogue among the heads of state of AGOA beneficiary countries and the United States. These summits would provide a regular opportunity to discuss common interests, and could also enhance the utility of the annual AGOA forums.

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

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#### Notes

<sup>1</sup>AGOA Ambassadors Working Group Recommendations for the Reauthorization of the African Growth and Opportunity Act (AGOA).

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

<sup>3</sup>Schneidman, Witney & Lewis, Zenia A. The African Growth and Opportunity Act: Looking Back, Looking Forward. Brookings Institution, June 2012. Web. 9 Dec. 2014.

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

<sup>5</sup>U.S. and African Companies Call for Immediate Renewal of AGOA. American Footwear and Apparel Association, 13 Aug. 2014. Web. 10 Dec 2014.

<sup>6</sup>The African Growth and Opportunity Act: An Empirical Analysis of the Possibilities Post-2015. Brookings Institution, 2014. Web. 12 Dec. 2014.

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

<sup>8</sup>Loucif, S.J. U.S. Trade with sub-Saharan Africa, January-December 2013. International Trade Administration, n.d. Web. 9 Dec 2014.

<sup>9</sup>AGOA: Trade and Investment Performance Overview. United States International Trade Commission, 24 Apr 2014. Web. 11 Dec. 2014.

<sup>10</sup>AGOA: Trade and Investment Performance Overview. United States International Trade Commission, 24 Apr 2014. Web. 11 Dec. 2014.

<sup>11</sup>Carletto, Calogero, Jolliffe, Dean, and Banerjee, Raka. The Emperor has no Data! Agricultural Statistics in sub-Saharan Africa. 2013. Web. 15 Nov. 2014.

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

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

<sup>14</sup>How AGOA 2.0 Could Be Different: Outlining Africa's Position on the AGOA Review process. African Union and United Nations Economic Commission for Africa, Apr. 2014. Web. 12 Dec. 2014.

<sup>15</sup>AGOA Ambassadors Working Group Recommendations for the Reauthorization of the African Growth and Opportunity Act (AGOA).

<sup>16</sup>Schneidman, Witney & Lewis, Zenia A. The African Growth and Opportunity Act: Looking Back, Looking Forward. Brookings Institution, June 2012. Web. 9 Dec. 2014.

<sup>17</sup>Note, the House Committee on Foreign Affairs and Senate Committee on Foreign Relations have jurisdiction over legislation concerning capacity-building for Africa.

<sup>18</sup>Schneidman, Witney & Lewis, Zenia A. The African Growth and Opportunity Act: Looking Back, Looking Forward. Brookings Institution, June 2012. Web. 9 Dec. 2014.

<sup>19</sup>Interview with John A. Kufuor, former President of Ghana (2001–9), Washington, April 17, 2012. Cited from Witney Schneidman, African Perspectives on AGOA. The African Growth and Opportunity Act: Looking Back, Looking Forward, (2012): 23. Brookings Institution. Africa Growth Initiative, June 2012. Web. 9 Dec. 2014.

<sup>20</sup>Williams, Brock R. African Growth and Opportunity Act (AGOA): Background and Reauthorization. Congressional Research Service, 24 Jul. 2014. Web. 9 Dec. 2014.

<sup>21</sup>Fact Sheet: Investing in African Trade for our Common Future. The White House, 4 Aug. 2014. Web. 11 Dec. 2014.

<sup>22</sup>USAID Should Update its Trade Capacity Building Strategy. United States Government Accountability Office, Aug. 2014. Web. 14 Dec. 2014.

<sup>23</sup>Global Value Chains and Development: Investment and Value Added Trade in the Global Economy. United Nations, 2013. Web. 10 Dec 2014.

<sup>24</sup>Statement by the Chair of the U.S.-Africa Leaders Summit. The White House, 6 Aug. 2014. Web. 14 Dec. 2014.

Senator FLAKE. Thank you, Mr. Williams. Ms. Feingold?

**STATEMENT OF CATHERINE FEINGOLD, DIRECTOR OF  
INTERNATIONAL AFFAIRS, AFL–CIO, WASHINGTON, DC**

Ms. FEINGOLD. Thank you. Good morning. Chairman Flake, Ranking Member Markey, and members of the Senate Foreign Relations Subcommittee on Africa and Global Health Policy, thank you for this opportunity. The AFL–CIO strongly supports reauthorization of AGOA. We support AGOA’s objective of building sustainable economic growth in Africa.

However, we are concerned that to date oil and gas constitute 80 to 90 percent of all exports under AGOA with only a few countries effectively using the program for nonenergy products. This has meant that many of the ambitious goals identified by AGOA have not been fully met.

In the proposed reauthorization bill, we welcome some important changes, especially those that make the eligibility processes more transparent and accountable, including a formal process for third party petitions, public hearings, a biennial report on country compliance that includes civil society submissions, and the out of cycle reviews. We believe that these changes will create a more effective mechanism for unions and civil society organizations to raise concerns regarding compliance with AGOA eligibility criteria and hold their governments accountable.

Despite these improvements, the bill unfortunately omits several important measures regarding eligibility that the AFL–CIO believes would make AGOA more effective. These include: first, updating the labor criteria to include the abolition of the worst forms of child labor and guaranteeing freedom from discrimination, which would be consistent with the core conventions of the International Labor Organization. AGOA beneficiaries should also commit to making progress toward creating decent work, including good wages, respect for worker rights, and access to social protections.

Second, requiring governments to develop and implement resource transparency standards. Too often commodity-driven growth supports corrupt regimes with little direct benefit to citizens. Transparency provisions would empower citizens with information needed to engage with governments and target corruption.

Third, ensuring countries uphold their fundamental responsibility to protect against and remedy violations of human rights in

the context of business activities as defined in the U.N. Guiding Principles on Business and Human Rights.

Fourth, introducing a democracy clause. Lastly, in addition to strengthening the eligibility criteria, we strongly support increasing funding for capacity-building. This would include education and skills training for formal and informal workers, women and young workers, as well as for entrepreneurs, trade union and civil society organizations.

Let me give you an example of why exactly we need a strong, effective AGOA and increased capacity-building programs. In June 2014, the U.S. Government took the rare step of suspending trade benefits for Swaziland, citing that government's systematic violations of fundamental worker rights, including repression of union and human rights leaders, the issuing of death threats, and imprisonment of activists, and the refusal to legally recognize the union federation TOCOSWA.

This case underscores the need for rights-based training programs to help workers monitor and push back against many of the problems that occur in light industrial production in the region. Without that training, the workers of Swaziland would not be able to continue to advocate for improved working conditions in their country.

With the reauthorization of AGOA, success will rely not only on improved trade flows, but also on the creation of coherent policy toward Africa that links AGOA to other programs that promote meaningful investment in Africa's workers as well as in its manufacturing and infrastructure capacity.

One of the underlying assumptions behind the original AGOA legislation was that low skill exports would lead to the creation and growth of complex and higher skill sectors. However, trade preferences alone have proved insufficient to achieve that goal. Currently, trade and investment capacity building hubs in the region focus mostly on transport and power infrastructure issues to the detriment of worker rights, protections, and benefits.

Through these trade hubs, we believe that programs need to be created to support initiatives that provide youth, women, and migrant workers in both formal and informal employment with education and skills training. Investment in strong labor protections as part of the trade capacity programs would make those hubs a foundation for creating decent work, a strong skilled workforce, and strengthen the system.

Let me close by thanking you again for the opportunity to present the views of the AFL-CIO on AGOA reauthorization and implementation. I would be happy to answer any questions. Thank you.

[The prepared statement of Ms. Feingold follows:]

PREPARED STATEMENT OF CATHERINE FEINGOLD

Chairman Flake and members of the Senate Foreign Relations Committee, thank you for the opportunity to present testimony on the Africa Growth and Opportunity Act (AGOA) and the role of the legislation in creating jobs and decent work in sub-Saharan Africa. We appreciate the committee's effort to encourage dialogue and move AGOA toward reauthorization. The AFL-CIO supports a 10-year AGOA reauthorization. While we have concerns about whether AGOA has succeeded in promoting shared economic growth, we believe a revised AGOA could contribute to job creation and development in Africa.

Much of my testimony today is drawn from a previous policy brief published by the AFL–CIO and the Solidarity Center titled, “Building a Strategy for Workers’ Rights and Inclusive Growth—A New Vision for the Africa Growth and Opportunity Act (AGOA).”<sup>1</sup> That brief was based on intensive consultations with the AFL–CIO’s African trade union partners and the regional organization that represents their interests.

Many Africa trade unions are barely aware of AGOA because it has had very limited impact on the development of their economies, except in the extractive and textile and garment sectors, and only in a few countries. This is largely due to the historical, and unfortunate, fact that trade capacity-building has long focused on transport and power infrastructure, to the detriment of worker rights, protections or benefits.

The AGOA legislation does, however, establish worker rights criteria. The AFL–CIO supports this recognition of the fundamental role these rights play in ensuring a sustainable, inclusive trade and development strategy, and strongly urges the inclusion of African workers, as stakeholders, in efforts to strengthen the impact and more equitably spread the benefits of AGOA. This means the development of well-grounded country strategies, and the trade and investment capacity building hubs that support them, that arise via a fully consultative process that embraces all stakeholders, including workers, their representatives and other civil society actors. These trade and investment capacity-building hubs could be greatly enhanced by addressing worker rights issues throughout their programs.

Economic growth and expanding consumer markets in Africa are positive signs, especially for U.S. companies and manufacturers doing business in Africa. But they mask persistent income inequality: almost half of sub-Saharan Africans live in poverty. Key tests for AGOA will be how well it addresses growing income inequality in Africa and how well it promotes the creation of good paying and sustainable employment on the continent. The program should aspire not to push African countries into the global race to the bottom—in terms of wages, respect for rights and implementation of the law, a contest so many other countries have joined—but to fully embrace its stated goals or reducing poverty and strengthening democracy, along with increasing trade and integration.

A new AGOA must take into account what lies behind poverty, including the changing face of the workforce. A high percentage of Africans toil in the informal economy, with subcontracting and irregular labor contracts put downward pressure on wages and working conditions. Women workers dominate in many informal sectors and predominate in AGOA-promoted industries such as floriculture and garments. And many workers migrate for jobs, where they may be vulnerable to exploitation or left uncovered by labor laws.

The AFL–CIO’s support for AGOA is based on feedback received from engagement with partner trade unions in Africa, through bilateral discussions and the work of the Solidarity Center, an AFL–CIO-allied organization with programs in 13 countries in sub-Saharan Africa. During the recent U.S.-Africa Leaders summit, the AFL–CIO hosted a delegation of 38 union leaders and worker rights advocates from sub-Saharan Africa. Speaking at the summit’s Civil Society Forum and in other venues, those leaders argued not just for the reauthorization of AGOA, but also for a better AGOA. A joint partnership statement between the AFL–CIO and the International Trade Union Confederation’s Africa Regional Office articulated the key points of a shared economic vision for Africa.<sup>2</sup> This vision focuses on inclusive economic growth, with workers benefiting from job creation and access to financial stability, education, health care, and social protection. Key parts of this vision include investing in young workers, gender equality, migrant rights and policies on trade, investment, and industrialization that generate job growth but with strong respect for worker rights and the rule of law.

AGOA is very much a part of this vision but requires changes that better integrate trade promotion into the legislation’s broader goals of promoting democratic governance and respect for human rights, including worker rights. In the original act, it was clear that the law was created not only to support increased trade and investment but also to encourage rule of law development, address corruption, eradicate poverty, and support civil society organizations. The AFL–CIO enthusiastically embraces that vision and is pleased that it remains a goal in the new authorization.

#### I. IMPROVING ELIGIBILITY CRITERIA

AGOA’s eligibility criteria contain a range of U.S. policy goals including the establishment of a market economy, the rule of law, political pluralism, the elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, efforts

to combat corruption, increased access to education and health care, and the protection of internationally recognized worker rights.

In the current law, section 104 (F) explicitly enumerates “internationally recognized worker rights” as: “protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.”

AGOA’s labor rights language needs to be consistent with the highest standards embodied in other trade legislation and state that countries must meet all core rights laid out in the corresponding ILO Conventions, which are reflected in the ILO Declaration of Fundamental Principles and Rights at Work. There also should be an explicit reference to elimination of the worst forms of child labor and freedom from discrimination, including the rights to equal remuneration and freedom from discrimination in employment and occupation enshrined in ILO Conventions 100 and 111. It should be clarified that the right to acceptable conditions of work with respect to minimum wages includes, among other things, any legally or contractually required pay (such as overtime, bonus, and holiday pay) and any legally or contractually required contributions to pensions, health care, disability insurance or other benefits.

The particular focus on equal remuneration and freedom from discrimination in employment and occupation is particularly critical given the changing role of women in the African workforce. Extending trade preferences to a country can increase employment and better connections to markets for women, but it also has the potential to increase existing inequalities and/or worsen economic opportunities.

Light industry, particularly the garment and textile sector, is heavily staffed by women—and often young women. The Solidarity Center has noted in exchanges with union partners that, in its programs in Kenya, Uganda, Malawi, Lesotho, and Swaziland, women garment and textile workers have struggled with major workplace problems including low wages, sexual harassment, discrimination, unsafe workplace conditions and a lack of nonwage benefits, such as paid maternity leave. Where unions were formed to represent workers in these countries, we saw improvements in their working conditions and wages that generated gains for their families and communities.

Additional improvements to eligibility criteria should also include: requirements for countries to make continual improvement regarding labor protections over time, elevating standards and living conditions in tandem with economic growth; provisions for protecting human right in the context of business; explicit mention of democracy as a benchmark and a standard for resource transparency and activities. This last point is critical as commodity-driven growth too often supports corrupt regimes and results in little direct benefit to the majority of citizens. AGOA should contain measures that require countries to develop and implement transparency standards, and AGOA benefits should be limited, suspended or withdrawn for beneficiaries that fail to develop or implement such standards.

## II. CREATING MORE ROBUST MECHANISMS FOR ELIGIBILITY OVERSIGHT

The AFL–CIO is pleased that the process of sanctioning countries that do not comply with AGOA’s eligibility criteria has been changed in the draft legislation, as we see removal from the program as a last step. We also believe that the new petitioning process empowers stakeholders and can send strong signals to governments to change their behavior. The AFL–CIO also welcomes the proposed flexibility of applying a selective loss of benefits. Ultimately, however, the U.S. Government must be prepared to withdraw eligibility as it did with Swaziland when governments simply refuse to comply with the act’s requirements.

## III. CAPACITY-BUILDING

As part of an overall effort to strengthen AGOA, trade capacity-building, including in the areas of worker rights and the environment, is fundamental and requires financial resources as well as a commitment to ensuring that gains from trade result in inclusive economic growth.

Capacity-building is crucial to sparking better use of AGOA and broader economic development, but must be accompanied by a robust development strategy. Current capacity-building efforts, such as the Trade Africa and Power Africa initiatives, focus primarily on bolstering transport and power infrastructure. While these are necessary to meet emerging development needs and close gaps that keep African countries from taking advantage of AGOA benefits, the United States must also invest in building stronger democratic institutions, enhancing social protections and



developing needed human and resource capital if AGOA is to live up to its ambitious goals. Trade capacity-building must address the ability of stakeholders to hold their governments accountable to the standards included in the AGOA eligibility criteria. Strong citizen engagement will support sustainability of projects and investments.

Congress should explicitly authorize funding for initiatives that provide youth, women, and migrant workers—in formal and informal employment—with education and skills training; support informal economy unions and worker-driven organizations; and strengthen these organizations' ability to participate in democratic decisionmaking and demand legal rights and access to social protections, particularly in the areas where violations of labor and environmental rights are prevalent.

Attention to core labor standards enumerated in the AGOA section 104 should be part of a larger development strategy focused on workforce development, skills building, and health and safety awareness. As agencies such as USAID promote intraregional trade as congruent to the goals of AGOA, a deliberate effort should be made to bring unions and worker rights organizations into the process.

Unions are best prepared for, and already responding to, intraregional trends and issues. In East Africa, where the East African Community (EAC) is integrating economies (supported by programs like Trade Africa), the East Africa Trade Union Confederation (EATUC) is working to promote harmonized labor standards and social security portability across the economic zone. The Congress of South African Trade Unions (COSATU) has recently released a statement noting that the impact of U.S. poultry exports could severely impact jobs in South Africa.<sup>3</sup> COSATU argues, however, that this debate is not germane to renewal of trade preferences under AGOA, and should be argued in a different venue, such as the World Trade Organization.

Finally, the Swaziland example again shows the need for rights-based training programs to help workers monitor and push back against many of the noted problems that plague light industrial production worldwide. In sectors such as garments and textiles, these programs are necessary as well as work to help workers share in the gains from trade.

#### *Conclusion*

A better AGOA has the potential to change not only the nature of Africa's contributions to the U.S. economy, but also to transform the lives of African workers whose work contributes to the wealth and trade that arises from duty-free access to the United States. The AFL-CIO supports the draft legislation, though it would like to see some strengthening in the eligibility criteria including labor rights provisions as well as monitoring and accountability mechanisms. The AFL-CIO believes that Congress needs to authorize capacity-building funding in separate legislation so as to allow gains from trade to be broadly shared.

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#### Notes

<sup>1</sup>Building a Strategy for Workers' Rights and Inclusive Growth—A New Vision for the Africa Growth and Opportunity Act (AGOA). AFL-CIO and Solidarity Center, July 2014.

<sup>2</sup>Statement of Partnership at the Conclusion of the U.S.-Africa Leaders' Summit, AFL-CIO/Africa Regional Organization of the International Trade Union Confederation (ITUC-Africa), August 8, 2014.

<sup>3</sup>COSATU, Press Statement, AGOA should remain unconditional and preference based, April 22, 2015.

Senator FLAKE. Thank you, Ms. Feingold, and thank you all. I will start with some questions, and when Senator Isakson gets back, we will have him report on the markup last night.

But, Mr. Eisner, first you mentioned that China is eating our lunch here, and I believe, Mr. Hart, you mentioned that we have improved or we have increased imports, or, I am sorry, trade by 3 percent. China has done 13 percent during that same time. What can we do—I mean, what is the one thing that China is doing that we are not, the most important thing, put it that way. I know that other countries—you mentioned European countries are signing bilateral investment agreements right and left. And after the question about what China is doing that we are not, I would like to go into whether this is forestalling or making it easier or harder for bilateral trade agreements to be signed.

So, Mr. Eisner.

Mr. EISNER. Thanks for the question. You know, I think the one thing that China is able to do that the U.S. Government is not just in the position or the U.S. business community is this kind of command and control approach when it comes to investments in Africa that we have seen over a long period of time where they offer lower rates. They offer a different incentive package for African governments. They come in with a different set of standards we will say when engaging both on worker issues, but also their investment strategies.

So I think the fact that they are—where the United States can come into play is much more in the alignment of our foreign assistance packages that may be taken into account of remodeling some of the systems we have out there, whether it is the USAID system or MCC, or other U.S. Government agencies that can look at the lifeline approach of projects and take into account what the American business community is able to offer to some of these countries to make it a little bit more competitive to compete with China, Europe, and others.

I think a lot of times it is not taken into account that what Americans are putting into that system is a very long approach to investment. It is not a take-and-grab approach, and I think that is one of the defining factors that we should start looking at when we look at aiding. Obviously we need reauthorization of Ex-Im and other agencies to help support that investment abroad.

But I think it is just generally the approach of competitiveness versus what China's approach is, which is much more hands on, I would say, from the top tier of government down.

Senator FLAKE. Mr. Hart, do you have any thoughts here?

Mr. HART. If I could—before I answer your direct question, much has been written in the last couple of days about bipartisanship blooming all over Washington. And I just would like to say I think your committee has reached new heights with the AFL and the Chamber heartily endorsing reauthorization. So it is really fantastic to be part of the Hallelujah Chorus here. [Laughter.]

I think Scott has answered better than I can. Let me just say China is taking investment in Africa seriously. They look at Africa as a key trading partner, and the United States so far is not. We are pivoting East, but the East is pivoting to Africa. I think we need to take much more seriously the potential growth and the potential economic opportunity.

I think we continue to look at Africa, first of all, as one country. It is not. And we also look at it with a 20-year-old predisposition that it is all corrupt and we cannot do business there, and that is also untrue. The barriers to doing business are there. I have discussed a number of them, energy being a key one. But I think we can take much more—take a much more vigorous approach to our economic relationship with the continent.

Senator FLAKE. Mr. McRaith, you mentioned that you would prefer to do some vertical integration there. Can that be done in a 10-year timeframe? I know a 15-year is preferable, but can it be done with 10 years?

Mr. McRAITH. Yes. So actually I like the comments of Mr. Williams. Certainly 15 years was something that we initially came forward with. Again, I would just reconfirm that we are pleased to get

10 years, but 15 years would have absolutely been the preferred. A number of people that we met with actually asked us to verify and submit facts as to what is it you really need—why do you need 15 years. Why do you need 10 years? Why does the three-year renewal not work?

So we actually submitted a set of documents, historically, that showed the investment and the ROI on major investments, you know, \$400 million investments in spinning, weaving, dying, and full mill capacity in the ROI. And that really—that ROI really kind of balanced out around the 8th and the 9th years. So the 10-year really just kind of meets the absolute minimum threshold required to get us that investment into place. The belief is that by then FTAs will be in place and we will continue forward. But 10 years was the absolute minimum, but people we were really looking for was that 15-year mark to go with those big investments. It can be done, but barely.

Senator FLAKE. All right. Well, thank you. Mr. Eisner, what incentives are there for any of the African countries to enter into a bilateral agreement with us while they are getting preferential treatment here? We do have examples. I think Colombia is one. There is a preferential agreement there. They entered into a bilateral free trade agreement with us, or an FTA at least, and suspended the preferences they were getting. What are some examples in Africa that—where that might happen? Is South Africa the best candidate for that, and do you foresee that during the next 10 years if we do reauthorize it and us entering into bilateral agreements with any of these countries?

Mr. EISNER. Colombia is a great example of how we were able to transition from what was a one-way trading system to a peer trading system, I might say. I think, you know, there are opportunities here. I think that the renewal of AGOA helps that platform, but we really have to reenergize and relook at the way we do trade agreement across the continent I think.

The diversity of the markets, let us not forget, is pretty high. So the South Africa example, while they have pretty high GDP also have a population that is about 40 percent employment all told, both accounted for and unaccounted for, which obviously I believe AGOA's mission there is to help raise that 40 percent up into the stratosphere.

But you look at what we are doing on the regional investment treaty front or the regional FTA front, and I think that is where we will see greater successes. And when we point to the EAC and the great work done by USTR and the Commerce Department to truly try to align the EAC into a system that can be compatible with U.S. trade FTA styles.

I think there are examples of how we get there. I do not have an answer for you today of what it is going to look like. I think we need to rethink how we are doing trade with the continent and what does the approach look like when you have to take into account that you have a Kenya in the same regional trading block as a Burundi. They are not on scale, and so how do you adapt to a new style of trade with the continent. And I am looking forward to working with folks across this table to come to that conclusion the day after you guys reauthorize AGOA.

Senator FLAKE. Thank you. Senator Markey has kindly agreed to let Senator Isakson go first since he has a time constraint.

Senator ISAKSON. And I appreciate the Senator from Massachusetts for doing so. I want to—as you all know, last night in the Finance Committee we marked up the Extension and Authorization of AGOA for a 10-year extension, which I was very proud to be a part of. I think Africa is the continent of the 21st century for the United States of America.

The Chinese are extracting a lot of wealth. They are building a lot of buildings, but they are using their own labor to do so. America is saving lives with PEPFAR. Millennium Challenge is building infrastructure and capacity. And if we continue to bolster our trade and jobs with Africa, we are going to do a great job expanding our relationship, and it will be the principal continent of this century for America in terms of trade, profitability, and partnership. So I am excited to work on it, and I am excited for AGOA to be moving forward.

I want to make one public statement, though, and I hope the South Africans are listening all the way across the globe. I just talked to our Ambassador, by the way, in South Africa. We have had some market access problems with the South Africans. They are the single largest beneficiary of AGOA. They are a very developed country in comparison to most of the other African countries. They have market—we have market access problems for agricultural products from United States of America, and Senator Coons and I have worked extensively to try and get the South African Federation on Poultry and others to come to the table and negotiate forthrightly.

I offered two amendments last night, one which I withdrew and one which passed unanimously. The one that passed unanimously was an instruction to the President to immediately after the passage of AGOA to instigate an investigation and inquiry into South Africa's practices as far as agricultural access to their market, which I intend to do. And with the new parameters, as was mentioned by Ms. Feingold, in the bill, we have the ability to take action against a country that is not participating or playing fairly with the rules, which we intend to do.

The amendment that I withdrew was one that would terminate South Africa at the end of 3 years' period in terms of participation in AGOA. I withdrew that because that is a sledgehammer. I do not like to use sledgehammers, but I also do not think the South Africans should take the withdrawal of that amendment as any easing of our pressure to see to it we have fair and equitable access to the markets in South Africa.

Trade is a two-way street. The South Africans are benefiting richly from it. We need to make sure that AGOA works not only for the South Africans, but for the United States of America as well. So I just want to make that point, and I think Senator Coons might want to, if you would let me refer to him just a second, may echo my statement.

Chris.

Senator COONS. Thank you, Senator Isakson. With the concurrence of the Chair, I just wanted to add that Senator Isakson has been a tireless leader on the issue of AGOA renewal. He and I have

visited South Africa. We raised this issue of open market access years ago. In fact, Scott, I think we were together at the U.S.-South Africa Chamber launch that same trip, and we have had a number of, I think, focused, and relevant, and valuable conversations.

The breadth of concern in the Senate about ensuring that South Africa is a good and fair trade partner is a reflection of the bipartisanship Mr. Hart referenced. And Senator Isakson's amendment that was adopted last night had more than a dozen cosponsors, and the one that was narrowly withdrawn and will be reconsidered also enjoys broad support.

It is my real hope that we can resolve this in a positive way, but it is difficult for me to go home and say that I am giving duty-free, quota-free access to the markets of the United States when there is not a comparable fair attitude on the part of the most developed economy on the market, one that we hope to work together to strengthen and to broaden. So I just want to commend you for your leadership and your continued and strong engagement on this.

Senator ISAKSON. And I thank Chairman Flake for giving us time, and Senator Coons for his work and cooperation, and Senator Markey for his patience. Thank you. [Laughter.]

Senator FLAKE. Thank you.

Senator Markey.

Senator MARKEY. I thank you, and I thank you, Senator Isakson and Senator Coons, for your incredible interest in this issue. It is very impressive. Ms. Feingold, can you talk about the state of child labor in Africa? And could you comment on what the United States could do more to ensure that we deal with that problem?

Ms. FEINGOLD. Absolutely. Thank you so much for your question. I think that this has been an issue that we have focused on a lot, and with the leadership of Senator Harkin and Engel, we have one model of a protocol that has been used within the cocoa supply chain. But it is an issue throughout sub-Saharan Africa, and I think the first step to dealing with child labor is working with the business community, and we do have lots of multistakeholders initiatives where we work together to identify where child labor is in the supply chains, and then work to get technical assistance there to make sure that children are not working in hazardous situations, and that we link it to access to education, and make sure that their parents have good wages that keep the kids out of the——

Senator MARKEY. So can we talk about that a little more specifically then? So our goal is to keep them in school, not have them at work. And there are eligibility requirements in AGOA for the ability to be able to get a job and not be still in school. Can you talk about that a little bit and how the United States can help to make sure that it is not exploited?

Ms. FEINGOLD. Absolutely. Well, we think that there is a direct link between making sure that their parents actually have decent work so that when we talk about AGOA we talk about building strong jobs in the region, that means their parents have good wages and that their kids are not seen as being needed to work to have income for the family. And so, we strongly support that children first get a good education so that that contributes to the development of Africa, and that their parents have their fundamental

worker rights, the ability to bargain with their employer to raise wages, and have good jobs, and keep their kids out of the workplace.

Senator MARKEY. All right, thank you. Mr. Williams, you referenced Power Africa in your testimony. We heard from the President of Liberia that they have a grand total of 42 megawatts for a country of 4.2 million people. Just to contrast that, Massachusetts has about 6 million people and we probably have about 16 thousand megawatts. So 42 megawatts for an entire country of 4 million people, and Power Africa can play a role there.

So could you help us to understand what it is that you see that Congress can do, America can do, to help expand that access to electricity, especially renewable electricity? Solar could be a big game changer in Africa.

Mr. WILLIAMS. Well, Senator, I had the privilege last year of coordinating the African Energy Ministerial in Ethiopia, and one of the featured agencies was the USAID's Power Africa and the Power Africa Program. And it was very successful because, as has been mentioned by the other witnesses here, Africa has \$600 million people without electricity. And I can say to you right now in southern Africa there are blackouts and rolling blackouts in even South Africa.

So power and energy are critical. If AGOA is going to be successful, it is something we need to address. Power Africa brings an opportunity to the U.S. Congress because Power Africa has created a working task force of all the Federal agencies who get together monthly and talk about a coordinated approach and strategy to producing more power and electricity in Africa.

Two weeks ago I was in St. Thomas and I attended a DOE meeting there just prior to the President's trip to Jamaica as he was on his way to Panama. In St. Thomas, we talked about renewables and the importance of renewables. Renewables are going to be a big factor, but it is still going to be really petroleum and gas for a while as we transition, but we need to promote renewables as one of the options.

We are also looking at doing a very big regional power ministerial to follow up the African Energy Ministerial possibly in Angola this year with all of the Africa Energy Ministers from the SADC region and talk about how they can work together—reach an agreement on how they can work together to produce more electricity and power for the region. So it is a regional strategy.

Senator MARKEY. Okay, beautiful. Mr. Hart, in 2013, the United States imported \$26 billion worth of petroleum products under AGOA. But just on average, 240,000 barrels of oil are spilled in Nigeria per year, and that is despoiling drinking water, agricultural lands. So what is and can AGOA do to ensure that there are better environmental standards that do protect the long-term natural resources of each of these countries?

Mr. HART. That is a great question, Senator, and I want to admit quickly that I am not an expert in the particulars of how AGOA can be strengthened in this way. I do think that our ongoing engagement with Nigeria in this regard is really important, and why I testified that I hope that we will be able to move and strengthen AGOA quickly, as well as move beyond AGOA so that we can have

an even more robust engagement and ensure that there are the kind of safety standards that are needed to protect the environment and to ensure the safety of the citizens of the countries from whom this oil is being extracted.

Senator MARKEY. Okay. Mr. Williams, do you have a view on that, how we can ensure that or help to apply pressure so that better environmental standards are used while the oil, which is being extracted to be sent to America, despoils the environment in some of these countries.

Mr. WILLIAMS. Well, let me say that, really a two-way street like trade is a two-way street, environmental practices, best practice, is a two-way street. I am of the opinion that a lot of the things that we need to have implemented need to be put into formal agreements and understandings. So there are ways that we can mitigate some of the environmental risk, but we need to look at best practices, which gets back to capacity development. We need to send and we need to train people to do better.

Now, one of the things that is happening is gas is going to be a transitional fuel, but Africa is sitting on oil and gas. They are going to be developing those resources, so let us not have them reinvent the wheel. Let us go there and bring best practices and develop models that can be emulated. So, I mean, no one wants to be a polluter.

Senator MARKEY. Thank you all so much for all of your work in this area. Thank you, Mr. Chairman.

Senator FLAKE. Thank you, Senator Markey.

Senator Coons.?

Senator COONS. Thank you, Chairman Flake and Ranking Member Markey. Thank you for convening this and for this terrific panel that represents the whole range of NGOs, and the private sector, and advocacy organizations, and those who represent from labor to the Chamber. It is, as Mr. Hart said, a great opportunity for us to continue to build on what I think is some steadily growing bipartisanship here in the Senate.

AGOA, as we all know, offers the opportunity for much of sub-Saharan Africa duty-free and quota-free access to the U.S. market. And through AGOA, we seek to increase trade and investment in the region, promote sustainable economic growth, and encourage the rule of law and market-oriented reforms. I support the long-term reauthorization of AGOA, and I am pleased to see that the Finance Committee has made real progress on an at least 10-year authorization.

But it is important that we also consider ways that greater two-way trade with the region, particularly with developed countries, establish reciprocal agreements with key markets such as South Africa. If Congress is able to pass a 10-year AGOA reauthorization, one concern I have is that a country like South Africa would have duty-free access to our markets until 2025. And it is my hope that our Government will work toward a free trade agreement with South Africa before that.

And so, I am wondering whether a shorter reauthorization for South Africa would make sense, and if we offered instead 3 years of AGOA benefits which would give us time to negotiate an FTA that would provide benefits for U.S. companies eager to continue

accessing the South African market. As we know, Senator Isakson has filed such an amendment. I expect that we will take it up, and reconsider it, debate it, and move it on the floor once the Finance bill comes out.

What I would like to ask this panel to turn to is whether there are other things in the AGOA reauthorization that we should be taking up. Some outside experts from Brookings to the Center for Global Development have suggested that we should do more to increase intraregional trade, trade capacity-building, and investment. The Finance Committee bill makes a great start, but there are some things missing, in my view. For example, the Millennium Challenge Corporation, which I view as an innovative foreign assistance and development agency started under President Bush, does great work on a bilateral basis, but does not have the legal authority to do regional compacts.

So I, yesterday, along with Senator Isakson, met with Dana Hyde, and when I was recently in Kenya I was talking with Aeolus Kenya, Limited about a regional infrastructure project, the conversation Senator Markey had just had with a number of you about power and Power Africa. If Liberia really is to take advantage of Power Africa, it will be on a regional basis. The Mount Coffee Dam would provide hydropower to a whole region. If, as Mr. William discussed, we are going to have a successful energy ministerial in Angola, much of that is going to be about regional development.

So I think we should authorize the MCC to enter into regional compacts. I also think that we should be specifically adding some trade capacity building and trade facilitation provisions. So I would welcome any member of the panel who wants to comment for a moment on whether the MCC should have regional development authority, the ability to enter into regional compacts, and whether you think we could constructively add more capacity within AGOA to particularly advance the role and interests of women, to particularly advance trade capacity building and trade facilitation. I will take a comment from any panel member. If you would, Mr. Hart and Mr. Eisner.

Mr. HART. I am glad I get to go first because we all earlier vigorously agreed on all the points you just made. So we absolutely agree more and better trade facilitation assistance is necessary. It needs to be streamlined. There are 21 agencies in the U.S. Government that do this, and they are doing great work, but it needs to be streamlined and strengthened. I think many of us agree that the MCC should be given the authority to do regional compacts. ONE heartily endorses that idea. Regional integration is critical. Their best trading partners are their neighbors.

And lastly, as you mentioned and as I testified, we believe the passage of the Electrify Africa legislation is a critical complement to AGOA. Business leaders across Africa cite lack of electricity as a major, major constraint to production. High energy costs or no energy make African producers less productive and less competitive. So we heartily endorse the Electrify Africa Act and believe that is a terrific complement to AGOA.

Senator COONS. Thank you, Tom.

Mr. Eisner.



Mr. EISNER. Yes, this love fest continues. So, you know, I echo the Electrify Africa Act or the Energize Africa Act or whatever it becomes in a combined bill. I think it is necessary for us as we look at the continent and the power generation. You will never get to industrialization on the continent, which all the countries really are striving for, unless you have a base load of power that is able to supply investment.

On MCC, could not agree more than regional compacts are the way that we should be going. If the Government of the United States, whether it is USTR or the Commerce Department, are focusing on NEAC, you know, regional trade investment framework, whatever it might be called at the end of the day, then I think you have to do that with some support dollars behind it, and those dollars supplied by MCC make a lot of sense.

I do think, as I mentioned earlier to Senator Flake, we need to look at the MCC model and how do we incentivize more American companies to invest in the process. I am open to think through with you all how that may be looked at. I think they do amazing work, and I think there are a lot of opportunities for greater opportunities for the U.S. inputs into that considering the lifeline of the projects. And how we invest in the communities, and what those companies are doing in those communities to build up the living wages of everyone around it I think need to be considered in the MCC process.

On the 3-year—I tend to disagree that the 3 years makes sense in South Africa due to the destructive nature it could have on neighboring countries, like Lesotho where you have \$275,000 a year that are put in a very low economy, and the fact that the textile industry there really is the backbone of the economy. And if you take South Africa out of that equation and you look at Namibia, you look at Botswana, all reliant in some way or another on the South African economy. And if you extract the U.S. portion of that, which is, I think, how it might be looked at, as a political angle into South Africa, I agree wholeheartedly that some of the market impediments that we are facing really need to be addressed and addressed yesterday, not today. But I think there is a way we need to get to there, and I am not sure 3 years in and out and the sledgehammer approach that Senator Isakson mentioned was the right way. I think the cautious approach that was adopted by Finance yesterday I think is a much more palatable one, and one that needs to be looked at for other economies where there are impediments to U.S. investments, like in the area of local content, forced localization where it really is becoming a real challenge for American companies who invest around parameters that just do not make a lot of sense for us.

Senator COONS. I think if we look at how far the South African economy has come, there has to be a question whether at some point they need to graduate to an FTA, and at some point whether the terms under which they have been benefiting need to be modernized to reflect what would be a really balanced trade relationship. I think that was the point Senator Isakson was making and which I concur.

Mr. EISNER. And I would fully agree with you that we have to evolve that relationship beyond where it is today, but considering

the elements around that and the high unemployment in the market, I am not distorted that gets along the way. But I fully endorse what you are saying.

Senator Coons. Mr. Chair, will you tolerate the other members of the panel answering this question, and then we are going to have to wrap up. Mr. McRaith, Mr. Williams, Ms. Feingold?

Mr. WILLIAMS. Senator Coons, I echo maybe it slightly different than how Scott's interpretation is, but I think that we need clarity. Business people need clarity if they are going to invest not their money, their stockholders' money. And if they do not think it is going to beyond 3 years, and 3 years is not enough of a timeline to make a business decision. Ten years, okay, it is a compromise. We really need a longer time period.

Getting to your other question, I support what MCC is doing, and I would suggest that we look at their metrics, how they evaluate what is successful and what is not successful, and see if we can apply that to some other programs that need to be better measured, and to look for better outcomes.

I would like to comment briefly on the China comment that came up earlier. China is doing a lot in the continent, and we do need to play some catch up in some places. But I can tell you that the African Ambassadors and the Africans would prefer to work with U.S. companies, which gets to a suggestion I am going to make is that we need to empower our Ambassadors, our embassies, our commercial embassy officials, to be more supportive of U.S. businesses. I have personal experiences where they do not always see as part of the role as a diplomat. But we need to—if we do not have a lot of hubs in Africa, we need to try to see if we cannot create some one-stop-shops in these embassies, that can be more supportive of U.S. businesses as they run into these opportunities.

Senator COONS. Mr. Williams, as you are well aware, a number of us in the last Congress fought for and ultimately successfully got an increase in the number of foreign commercial service officers on the continent. I just came back from a trip to Kenya, to Chad, to Senegal, and I could not agree more. When I meet with ambassadors and their commercial staff, whether State Department or FCS, they are increasingly getting the message that this is of great value to us politically, strategically, economically. And I hope to work tirelessly with the chairman on this issue as well.

And I remain very interested, Mr. McRaith, Ms. Feingold, in how we advance the labor and economic development potential that the apparel industry really offers with longer term clarity and authorization, and how to make sure that the child labor issues that plagued the cocoa industry have really been resolved. I have had a number of very encouraging meetings about significant progress that has been made, but would love to continue that conversation with you.

Thank you to the panel, and thank you for your engagement in this issue, and thank you for what you recognize on a broad basis is the significant potential for addressing the challenges of poverty and of underdevelopment, that real trade and real investment make possible. And I look forward to working with the chairman on moving AGOA forward. Thank you.

Senator FLAKE. Thank you, Senator Coons, and thank you all. And before we close, one thing that we have not addressed, and, Mr. McRaith, you may want to talk about what you are doing to be a good corporate citizen in the countries in which you operate, your company and others, just to end on that.

Mr. MCRATH. Yes, it is interesting. You know, as we look at Africa and we see an incredible opportunity, but it is not just that we see an incredible opportunity in Africa. What we look at is that we have 30 years of learning of how not to do business around the world as we enter countries. And, you know, you can count any number of countries where the apparel industry, which is a first mover of large quantities of jobs, are not necessarily proud as you look back at what has happened.

So as we enter Africa, the key for us is to learn from all of those things that we could have done differently and apply them. And, you know, the simplest way I would describe it to you is we have corporate values, and in some cases we have met with governments in Africa where they have not had the same values that we have had. And we have drawn bright lines in the sand and said we will not cross this line until you correct things that need to be corrected in some cases, which were actual laws and had been put into place.

The good news is that those laws were changed. We forced those to be changed, and that is the value of private enterprise entering these countries. You can make those things change. When many Presidents or Prime Ministers of different countries had made phone calls to have those laws changed, it did not mean the same as someone who was now faced with an industrial revolution being told that their people would not be part of it because people could not come and engage with them.

So the key is to make sure that the people who go in have the values, and we are actively working with the governments to say it is not only about ensuring that you have the right code, but that you actually have the enforcement capability to ensure the code is applied, and you have the right training ability to make sure that people understand that.

And, again, just the one thing I always recognize about Africa, someone said it earlier, is we talk about a continent very often as most people talk about a country. And this is a continent inside of which you could fit all of the United States, all of India, all of China, all of Japan, and most of Europe physically would fit inside that continent. And so, you really have to think of it regionally, and you have to focus on those countries that you are engaging with.

And, again, I can only tell you we have been pleased with the engagement we have had to deliver on those values, ensure the investments are made to secure them. But we go in with our eyes wide open and are always verifying that what is being said is, in fact, what is happening.

Senator FLAKE. Well, again, thank you all for your testimony. For the interest of members and their staff, the record will be open until the close of business on Friday.

And we look forward to incorporating many of the recommendations that you have made here today as we consider these policies and this legislation. So thank you again.

With the thanks of the committee, the hearing is now adjourned.  
[Whereupon, the hearing was adjourned.]

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ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

LETTER FROM ETHIOPIAN GLOBAL INITIATIVE SUBMITTED  
BY SENATOR EDWARD J. MARKEY



**Ethiopian Global Initiative**

April 17, 2015

The Honorable Edward J. Markey  
Senator for Massachusetts  
Congress of the United States of America

Dear Senator Markey,

Thank you for inviting me to write this letter ahead of the April 23 Africa Subcommittee hearing on the African Growth and Opportunity Act (AGOA). I write to express my strong support for the swift renewal of AGOA and for greater economic relations between the United States and Africa. As the U.S. Congress deliberates the renewal of AGOA and the larger task of increasing U.S.-Africa engagement, I would like to briefly share my thoughts on the importance of AGOA and my experience in promoting U.S.-Ethiopia relations.

Founded in 2006, the Ethiopian Global Initiative (EGI), which aims to support the growth and development of Ethiopia, embarked on an effort beginning in 2013 to promote U.S.-Ethiopia relations with an emphasis on trade, investment and tourism. A major component of Ethiopia's growth over the past 24 years has been the gradual opening of the economy to domestic and foreign investors. This has been underscored recently by gains Ethiopia is making in its World Trade Organization accession process. EGI, as a Massachusetts-based organization, has focused its Ethiopia promotion efforts in the Commonwealth but will organize activities throughout the U.S. This will include trade and investment missions and learning tours to and from Ethiopia. My meetings with business, academic and government leaders in Massachusetts have been very positive and there is great interest to learn more about Ethiopia and Africa.

From the outset, AGOA has been celebrated as bipartisan legislation—it is the cornerstone for U.S. economic engagement with Africa. Sustaining its bipartisan spirit is very important, especially in a gridlocked legislature. Furthermore, a speedy renewal, well in advance of the September 30 deadline, will signal to key stakeholders in the U.S. and Africa that Congress is committed to AGOA and a long-term economic partnership with Africa. A delayed process can interrupt U.S.-Africa commerce and may threaten the job security of hundreds of thousands of Africans who are employed by American and African companies benefitting from AGOA—not to mention the over 120,000 American jobs supported by African exports, according to the Office of the United States Trade Representative.

I agree with President Barack Obama in calling for an extension of AGOA until 2030. While the immediate priority must be renewal, I urge you and members of the Africa Subcommittee in the long-term to consider enhancing AGOA and explore ways to strategically increase economic and



### Ethiopian Global Initiative

social engagement with African countries. While industries such as footwear and apparel have benefitted tremendously from AGOA, I would like to explore with you locally how the leading energy, life sciences and technology sectors in Massachusetts can also benefit from AGOA and increased U.S.-Africa/Ethiopia relations.

It is no secret that the United States has not been particularly proactive in its Africa policy as other countries, most notably China. In Ethiopia and elsewhere in Africa, the Chinese presence can be felt very strongly and that leaves the United States playing catch-up. Africa's immense opportunities, including its young population, abundance of natural resources and increasingly stable governments that uphold the rule of law, provide for a very strong case for AGOA renewal and for the U.S. Government to think proactively on how and where it engages Africa. President Obama's U.S.-Africa Leaders Summit was a move in the right direction and AGOA renewal by the Congress will further underscore U.S. long-term commitment to a genuine partnership with African countries.

Thank you for your consideration, invitation to write and for your longstanding friendship with Ethiopia and Africa. I look forward to AGOA's renewal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Samuel M. Gebru', written in a cursive style.

Samuel M. Gebru  
Chief Executive Officer