

**Testimony of Constance Berry Newman
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before the
Committee on Foreign Relations
United States Senate**

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African Growth and Opportunity Act

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

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

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

Background: The Development Challenge

The pace of economic growth and development in Africa is of paramount concern to the United States. Sub-Saharan Africa (SSA) continues to face enormous development challenges. It remains the world's poorest region, with half of its population of 690 million living on less than \$1 per day. Of

the 32 countries around the world with the lowest levels of human development, 24 are in sub-Saharan Africa. While economic growth trends in many countries are positive, with an overall regional population growth of 2.1% a year, achieving the Internationally Agreed Development Goal of reducing poverty levels by 50% by 2015 will require almost a doubling of current rates to over 6% a year.

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

Development and Trade Are Complementary

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

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

- Inadequate international market access, limited capacity to participate in multilateral negotiations, and limited abilities to comply with international trade agreements adversely affect their ability to compete in global markets;

- At the national level, infrastructure, institutional, and policy constraints prevent many from taking advantage of trade and investment opportunities; and
- At the industry and firm level, poor information on trade prospects, inability to meet international standards, cumbersome regulations, technology constraints, limited access to credit, and the lack of insurance and trade finance limit production and trade opportunities.

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

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

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

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

USAID’s Role in AGOA Implementation

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

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

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

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

Some of the major TRADE activities are as follows:

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

USAID’s regional mission in East Africa is supporting efforts to harmonize customs and trade facilitation policies such as establishing a “one-stop” border post at the Malaba/Torero border between Kenya and Uganda;




Our regional mission in Southern Africa is working to identify and remove barriers to trade in the Trans-Kalahari Highway and Dar es Salaam transportation corridor; our East Africa office is doing the same in the Northern Corridor in Kenya and Uganda. Our West Africa mission is working with two regional intergovernmental organizations to set up observatories that track and report on corrupt practices on key interstate trucking routes.

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

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

USAID is helping identify opportunities for AGOA participants to build markets in their region and the world.

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

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

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

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

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

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

USAID is establishing AGOA resource centers to provide technical assistance on AGOA legislation and to build relationships with U.S. businesses.

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



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

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

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

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

USAID has provided funding to the Corporate Council on Africa (CCA) to promote international business linkages. The linkage programs assist African companies to prepare business plans, to achieve International Standards Organization certification, to



participate in U.S.-led trade delegations, to attend trade shows in the United States, and to identify public and private sector trade financing. The linkage programs also assist U.S. firms by identifying trade and investment opportunities in Africa, by steering U.S. firms to appropriate government and private sector contacts, and by identifying sources of financing.

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

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

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

Conclusion

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

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