

**RECOMMENDATIONS FOR
THE RE-AUTHORIZATION OF
THE AFRICAN GROWTH AND OPPORTUNITY ACT
(AGOA)**



**AGOA AMBASSADORS WORKING GROUP
WASHINGTON, D.C.**

AGOA AMBASSADORS WORKING GROUP

Pursuant to the decision of the AGOA Ambassadors of the African Diplomatic Corps on 17 January 2013, an AGOA Ambassadors Working Group was set up with H.E. Mr. Girma Birru, Ambassador of the Federal Democratic Republic of Ethiopia, and H.E. Mr. Somduth Soborun, Ambassador of the Republic of Mauritius as Co-Chairs. In addition to the Co-Chairs, the core group was constituted with an initial representative from each sub-regional group of the Sub-Saharan African Region as follows:

H.E. Mr. Bienvenu Joseph Atangana, Ambassador of Cameroon – Central Africa;

H.E. Mr. Elkanah Odembo, Ambassador of Kenya – Eastern Africa;

H.E. Mr. Daouda Diabate, Ambassador of Cote D'Ivoire – Western Africa;

H.E. Prof. Eliachim Sebatane, Ambassador of Lesotho – Southern Africa; and

H.E. Mrs. Amina Salum Ali, Permanent Representative of the African Union to the USA.

The main objective of the Working Group has been to develop a coordinated position on the extension of AGOA and recommendations on how to further improve and strengthen the program. The Working Group which is an open-ended one has held four meetings: the first on March 20, 2013, the second on April 4, 2013, the third on May 7, 2013, and the fourth on July 3, 2013.

THE AFRICAN GROWTH AND OPPORTUNITY ACT – AGOA

The African Growth and Opportunity Act (AGOA) was signed into law by President Clinton on May 18, 2000 for an original period of eight years. President Bush later extended the program through 2015. AGOA is a U.S. trade act with the specific goals of enhancing U.S. export market access for qualifying Sub-Saharan African (SSA) countries; using preferential trade access to the U.S. market as a catalyst for economic growth in SSA; encouraging SSA Governments to open their economies and build free markets; and integrating SSA into global markets through trade, investment and economic liberalization.

- Since AGOA was passed in 2000, we have seen significant progress in the volume of trade between Sub-Saharan Africa and the United States. The U.S.-African trade stood at \$29.4 billion in the year 2000 and \$94.3 billion in 2011 having increased 221%. In the year 2000, trade with Africa made up 1.5% of total U.S. global trade, and Africa's share had grown to 2.6% by 2011. U.S.-Africa trade peaked in 2008 at \$104.7 billion.
- It is estimated that AGOA has generated about 350,000 direct jobs and 1,000,000 indirect jobs in Sub-Saharan Africa and about 100,000 jobs in the United States.
- Despite ten years of AGOA, the real driver of trade between the United States and Sub-Saharan economies is still energy. Energy-related exports (oil and gas) account for the largest portion of AGOA exports to the U.S. market, representing about 90-93% of all AGOA exports.
- AGOA has, however, been instrumental in the establishment of non-extractive industries in Sub-Saharan Africa, and additional potential for growth in these sectors remains.
- The textile and apparel sector has been one of the most visible in terms of AGOA's impact in Africa, with a particular effect on employment, although apparel trade data shows that currently only a relatively small number of

countries export apparel to the U.S. market. The successful development of a textile and apparel sector in Lesotho is an illustration of sustainable economic development generated by AGOA.

- Minerals and metals form the second largest category of non-energy exports and include platinum, diamond, aluminum, ferromanganese, ferrochromium, and ferrosilicon manganese.
- The transportation sector, including motor vehicles and parts, is also a success story under AGOA. South Africa based exporters have been the main beneficiaries but additional potential exists.

EXECUTIVE SUMMARY

Under the African Growth and Opportunity Act (AGOA), bilateral trade between Sub-Saharan Africa and the United States has more than doubled. The African Ambassadors AGOA Working Group is fully aware that the program has produced positive results and has reached a consensus decision that sustained economic growth will only be possible if the Administration and Congress vote to extend AGOA for a period of at least 15 years. In addition, the African Ambassadors' AGOA Working Group has identified several priority areas that will require further attention if AGOA is going to realize its full potential:

- Addressing gaps in AGOA product coverage including within product categories;
- Creating greater flexibility in rules of origin for general goods and ensuring special provisions for apparel;
- Establishing certainty in the duration of AGOA's benefits;
- Improving links to African regional integration;
- Addressing supply side constraints;
- Enhancing availability of dedicated resources;
- Aggressively building capacity in several key areas; and
- Separately addressing accompanying measures and related trade programs.

To address the hindrances to economic growth in Sub-Saharan Africa, the Working Group has compiled recommendations in six general categories outlined below. These recommendations were endorsed by the AGOA Midterm Review, which was held in Washington, D.C., from May 30-31, 2013 and are detailed in the following pages.

1. **Enhanced Political Dialogue:** In order for AGOA to have a large and lasting impact on the region, there should be greater political dialogue on pertinent issues at the local, regional, national, and international levels. For example, the Working Group proposes a Summit-level meeting during the 13th AGOA Forum in Washington, D.C. in 2014, along with follow-up meetings to be held every two years.
2. **Re-authorize AGOA for at Least 15 Years:** The Working Group strongly advocates that AGOA be ring-fenced and re-authorized in the 113th Congress for a significant enough period of time (minimum 15 years) to inspire investor confidence and allow opportunities to take root and grow.
3. **Capacity Building to Generate Increased Private Sector Engagement:** AGOA has successfully increased state-to-state interactions but greater dialogue with the private sector and increased business-to-business collaboration is needed. Through outreach, analysis, and ongoing processes to better engage the private sector, increased public-private dialogue around AGOA could help realize the program's potential.
4. **Increase Trade and Market Access:** All eligible AGOA countries should develop and implement a national investment and export strategy, which has proven successful for numerous countries in the region. In addition, U.S. trade preferences, especially in important sectors like textiles and apparel, should be maintained and expanded to ensure that African products remain competitive.
5. **Encourage U.S. Investment in Africa:** At present, U.S. investment in Africa accounts for less than one percent of U.S. investment worldwide. Public-private partnerships (PPPs) provide one opportunity to generate

additional investment and engage U.S. companies in the new opportunities in the African market.

6. **Address “Accompanying Measures” Separately:** The Working Group acknowledges related proposals in support of economic growth and development in Sub-Saharan Africa, specifically Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs). However, immediate focus should be dedicated to the reauthorization of AGOA.

RECOMMENDATIONS

The African Ambassadors AGOA Working Group, on behalf of the African Ambassadors Group (AAG), coordinated the development of the consensus recommendations for AGOA’s reauthorization. Hosted by the Embassy of Mauritius, the Ambassadors Working Group has sought to be inclusive and engaged the relevant AGOA stakeholders. The Working Group was privileged to have the active participation of very able and distinguished Ambassadors; members of Congressional staff; leaders in civil society, non-governmental organizations and the private sector; and experts from think tanks and various Embassies.

The Working Group has identified several areas for improvement, detailed below. There was agreement among the Working Group’s participants that benchmarking and conducting research will be necessary to better record AGOA’s successes, establish measurable timelines to track progress, and determine where AGOA holds untapped potential.

1. **ENHANCED POLITICAL DIALOGUE**

- In recognition of Africa’s tremendous potential – and its emergence as the hottest frontier for investment – and in order to reflect the increasing level of interaction between Sub-Saharan Africa and the United States, the Working Group supports holding a U.S.-Africa Summit during the 13th AGOA Forum in Washington D.C., in 2014. This event would convey a strong political message to the relevant stakeholders and send a strong signal to investors,

retailers, and manufacturers on both sides of the Atlantic that Africa is open for trade and investment. It would also give prominence to the U.S.-Africa partnership.

- As a follow-up to the proposed Summit, leaders on both sides should consider the advisability and possibility of scheduling regular Summits at two-year intervals to take stock of the trade and investment relationship and track progress achieved under AGOA.
- The Working Group also agreed that Congressional delegations to African regions, including in the context of AGOA, would increase the visibility of the Continent in the United States and vice-versa. This would also help give political impetus for AGOA in the sub-regions and open up windows for sustained dialogue between the partners.

2. **RE-AUTHORIZE AGOA FOR AT LEAST 15 YEARS**

- The Working Group strongly advocates that AGOA be ring-fenced and reauthorized in the 113th Congress for a significant period of time (minimum 15 years) to inspire investor confidence and allow opportunities to take root and grow. A longer re-authorization will also be necessary to generate increases in income levels. 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.

Accordingly, the Working Group agreed that AGOA should be re-authorized for at least the next 15 years, with the Third Country Fabric Provision in place for the same period of time.

3. **CAPACITY BUILDING TO GENERATE INCREASED PRIVATE SECTOR ENGAGEMENT**

- While the AGOA Forum has successfully established state-to-state dialogue, greater emphasis is needed on generating sustained business-to-business interaction. Increased focus and capacity building in this area will be crucial to maximizing AGOA's benefits.

- Private sector participation and public-private collaboration should be encouraged in every way possible. For example, the efforts of participating states to establish policy frameworks for in-country AGOA implementation, which the AGOA eligibility criteria have successfully encouraged, should be matched with active engagement with business and industry.
- Many of the intended beneficiaries in AGOA-eligible countries do not have the capacity to take advantage of the opportunities that AGOA could generate regionally or through vertical integration. African businesses and entrepreneurs will need technical assistance and capacity building initiatives to improve production strategies, increase compliance with quality standards, conduct market research, assess market development and potential, connect with other businesses, and increase value-added processing.
- The Working Group also recommends raising awareness and sharing education about potential opportunities under AGOA aimed at increasing participation by small and medium-sized businesses.
- Increasing engagement with the private sector in SSA countries is needed to accelerate progress under AGOA and enhance opportunities for vertical integration and value addition. Greater focus on business-to-business facilitation should be part of these efforts.
- Outreach to educate small and medium-sized businesses on potential opportunities under AGOA should continue and expand, and the Working Group acknowledged the role of civil society and non-profit organizations in this area.

4. **INCREASED TRADE AND MARKET ACCESS**

- AGOA should be used to encourage increased trade and market access as much as possible, both across sectors and on a regional basis. Increased value chain development, product diversification, and value-added production will all be critical to opening opportunities for trade and investment.

- Countries that have been successful under AGOA have developed effective investment and export strategies. These strategies should identify value chains and sectors of potential and encourage private sector involvement and measures to enhance competitiveness and regional trade.
- Investment and export strategies should link with market demand and efforts to address capacity and supply side challenges. In particular, the strategies should reflect increased engagement with businesses as discussed above; interaction between technical staff from Africa and the United States (e.g. on sanitary and phytosanitary measures); coordination with business associations and Chambers of Commerce; infrastructure development; and enhanced transportation, storage, and distribution.
- In the textiles and apparel sector, AGOA's benefits will need to be predictable and long-term. Ninety-five percent of textile and apparel exports from the Sub-Saharan region to the United States under AGOA depend upon the Third Country Fabric rule, which allows Sub-Saharan textile and apparel products to remain competitive in the U.S. market. The Working Group agreed that maintaining this provision will be critical for the sustained success of the industry. In this regard, the Working Group suggests that similar preference being considered for other regions include approaches such as the traditional "short supply" lists, which include some yarns and fabrics but would not undermine Africa's progress in establishing a vibrant textiles and apparel sector.
- In the agricultural sector, greater focus should be placed on how to maximize potential under AGOA. The Working Group recommends studying untapped opportunity and connecting to other initiatives in the agricultural sector, such as the Comprehensive Africa Agriculture Development Programme (CAADP), in order to meet some of the basic capacity building needs in the sector. Again, increased engagement with the private sector will be critical.

5. **ENCOURAGE U.S. INVESTMENT IN AFRICA**

- All stakeholders should place greater emphasis on increasing U.S. investment in Sub-Saharan Africa. The Working Group recommends that the U.S. Congress and Administration adopt a “development exception” for Africa to promote U.S. investment in the region. This exception would take the form of a zero tax on repatriated income by U.S. companies investing in priority productive sectors (i.e. non-extractive) and offer tax credits or other incentives for U.S. businesses investing in AGOA-eligible countries.
- AGOA can also benefit from the support for agriculture and food security under the U.S. Feed the Future (FTF) program and the many new public-private alliances under efforts such as the New Alliance for Food Security and Nutrition and Grow Africa. The U.S. Feed the Future program and other similar programs related to agriculture should facilitate financing and investment in the African agricultural sector to ensure long-term food security and increase ability to deliver the continent’s food needs.
- The African Diaspora should play a very significant role in encouraging and disseminating business prospects under AGOA. A Diaspora Fund should be instituted to create incentives for returning Diaspora to share know-how and capital to generate increased returns and greater capacity in SSA.

6. **ADDRESS “ACCOMPANYING MEASURES” SEPARATELY**

- The Working Group agreed that the re-authorization of AGOA may not be the appropriate platform to address concerns with EPAs or a proposed FTA between the United States and African countries. The focus of the current conversation, as reflected in these recommendations, should remain on the expeditious re-authorization of AGOA and ways to maximize benefits under AGOA by strengthening and improving the program.
- The Working Group also agreed that there is an urgent need to increase capacity building in SSA, including efforts aimed at greater engagement of the private sector. The Working Group recognized that some of these concerns might be best addressed through a separate piece of legislation so as not to derail immediate efforts to re-authorize AGOA.

ACKNOWLEDGEMENTS

On behalf of the African Ambassadors Diplomatic Corps, the Co-Chairs of the AGOA Ambassadors Working Group, H.E. Mr. Girma Birru, Ambassador of the Federal Democratic Republic of Ethiopia, and H.E. Mr. Somduth Soborun, Ambassador of the Republic of Mauritius, would like to express their deep appreciation to the Ambassadors of AGOA-eligible countries in Washington D.C. and their experts, the representatives of the United States Administration including the United States Department of State and the Office of the United States Trade Representative, Congressional staffers, representatives of the civil society and the private sector, and Leadership Africa USA, for their valuable contribution and support.

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