Submission by the Government of Mauritius to the Ways and Means Committee of the US Congress

This statement is submitted by the Republic of Mauritius for the record of the July 29, 2014 hearing by the Ways and Means Committee on the African Growth and Opportunity Act.

Introduction

The signature of AGOA into law in 2000 marked a significant shift in US-Sub-Saharan Africa relations. It laid the foundation for a partnership that was mutually beneficial both to the US and countries in Sub-Saharan Africa (SSA) by moving away from the conventional donor-recipient relations built on development assistance to one based on trade and investment, as the cornerstone of sustainable economic development.

Although SSA remains one of the poorest regions in the world with an estimated 48% of the population living on just $1.25 per day, it has made commendable progress in its development trajectory since the passage of AGOA into law. The growth rate has been steady at an average of 5% since 2001, compared to a negative per capita growth rate of 1.1% in 1995. The impact of AGOA on exports and on job creation has been tremendous. Indeed the benefits of AGOA for Africa have been widespread, both in terms of sectors and the number of countries that have availed of these benefits.

Assessing AGOA’s Achievements

The benefits of AGOA have also been underscored by the results of the public investigation launched by the USITC, namely, AGOA: Trade and Investment Overview which highlighted the following:

a. Total U.S. imports from Africa have more than doubled since AGOA was enacted, increasing by roughly 132% since 2000 to $38 billion in 2013;

b. Africa’s main exports to the US under AGOA continue to be unprocessed oil and minerals. However, U.S. imports of non-extractive products from Africa have grown by 94% to $6.0 billion in 2013.

i. Agricultural products and food products are up 356% since 2000 to $342 million in 2013.

ii. Motor vehicles are up 1,239% to $2.0 billion.

iii. Apparel is up 16% to $907 million. Following the expiration of the Multi-Fiber Arrangement in 2005 a 50% drop of apparel exports from Africa to the US was noted for the period 2005-2010. Since 2010, however, apparel trade has begun to recover, increasing by 18% from $789 million in 2010 to $907 in 2013.

2. Although it is sometimes believed that AGOA has benefitted only a handful of countries, evidence proves the opposite:

a. 25 of the 38 countries that were eligible under AGOA in 2013 exported products to the United States under AGOA. And 14 of those countries
each exported more than $10 million worth of non-extractive products to the United States in 2013.

b. While South Africa is the largest exporter of non-extractive products to the United States, with 2013 non-extractive exports of $2.6 billion, other leading exporters of non-extractive products are:

- Cote d’Ivoire $1.0 billion
- Nigeria $942 million in non-crude oil exports
- Kenya $337 million
- Lesotho $321 million
- Mauritius $188 million
- Congo (ROC) $145 million
- Ethiopia $32 million
- Cameroon $36 million
- Swaziland $54 million
- Uganda $46 million
- Malawi $47 million
- Gabon $17 million
- Tanzania $10 million

3. AGOA has also brought positive gains to the US economy. During 2000-13, U.S. exports to Africa grew by 288% from $5.6 billion in 2000 to $21.7 billion in 2013. Although the balance of trade is in favour of Africa, U.S. exports to Africa have increased by more than twice as much as African exports to the US since AGOA was enacted.

**Mauritius**

The cordial relation between the US and Mauritius revolves around shared values pertaining to human rights and rule of law, good governance and democratic principles. Trade is a core element of this relationship. The presence of US companies in diverse sectors in Mauritius helps stimulate further the relationship between both countries. US companies registered in Mauritius operate in a wide variety of sectors, including ICT/BPO (Ceridian, Apollo Blake Ltd), Health Care/Manufacturing of Medical Devices (Johnson & Johnson – PP Sud Ltd), Manufacturing (Tiffany - Laurelton Diamonds), Hospitality sector (Starwood c/o Le Meridien Hotel), and Textile Industry (World Apparel & Design Ltd), among others. Table 1 below indicates the growing level of FDI from the US into Mauritius.

Progress has also been made on agricultural trade and agri-business linkages between the US and Mauritius under AGOA. The main objective is to increase and diversify exports of agricultural products to the US market which include cut flowers, honey, jam and fruit jellies. The US is also an important market for specialty sugar exports from Mauritius, although these exports do not qualify under AGOA.

**US Imports from and Exports to Mauritius**

**2007-2013**

**(US$ million)**
<table>
<thead>
<tr>
<th></th>
<th>U.S. Exports To Mauritius</th>
<th>% Change</th>
<th>U.S. Imports from Mauritius</th>
<th>% Change</th>
<th>Two-Way Trade</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$49.794</td>
<td></td>
<td>$187.020</td>
<td></td>
<td>$263.814</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$51.293</td>
<td>+3.0%</td>
<td>$176.189</td>
<td>-5.8%</td>
<td>$227.482</td>
<td>-13.8%</td>
</tr>
<tr>
<td>2009</td>
<td>$70.031</td>
<td>+36.5%</td>
<td>$168.863</td>
<td>-4.2%</td>
<td>$238.894</td>
<td>+5%</td>
</tr>
<tr>
<td>2010</td>
<td>$40.028</td>
<td>-42.8%</td>
<td>$196.055</td>
<td>+16.2%</td>
<td>$236.083</td>
<td>-1.2%</td>
</tr>
<tr>
<td>2011</td>
<td>$45.951</td>
<td>+14.8%</td>
<td>$250.483</td>
<td>+27.8%</td>
<td>$296.434</td>
<td>+25.6%</td>
</tr>
<tr>
<td>2012</td>
<td>$95.976</td>
<td>+108.9%</td>
<td>$261.412</td>
<td>+4.4%</td>
<td>$357.388</td>
<td>+20.6%</td>
</tr>
<tr>
<td>2013</td>
<td>$42.036</td>
<td>-56.2%</td>
<td>$338.024</td>
<td>+29.3%</td>
<td>$380.060</td>
<td>+6.3%</td>
</tr>
</tbody>
</table>


The statistics show the positive impact of AGOA on two way trade between the two countries which increased from $ 263.814 million in 2007 to $380.060 million in 2013. The fact that Mauritius became eligible to the third country fabric provision in 2008, for the same period as the LDCs, enabled the country to consolidate exports of textile and apparel to the US.

**Facilitation of Regional Integration**

AGOA has also contributed to give an added momentum to regional integration efforts within SSA with the promotion of regional value chains. In the production of garments, for instance, jeans are manufactured in Mauritius from denim fabric woven in either Mauritius or Lesotho from cotton sourced from Zambia, and with zippers from Swaziland. The same cross-border value chains could be developed for many other products if the right regional strategy is put in place.

**The Importance of Timely Action to Renew AGOA.**

In view of the importance of AGOA to both Africa and the US, the top priority must be to achieve its timely renewal before delay causes uncertainty and results in job losses in both Africa and the US.

The African Diplomatic Corps made a Submission to the USITC in January 2014 calling for the extension of AGOA for 15 years to sustain exports on the US market on a predictable, reliable and legally secure basis. They also requested that the extension be granted during the current session of Congress to inspire business confidence and to enable proper planning by the business community.

In the past, AGOA has been renewed for only short periods, typically five years or less. But major capital investments usually require 10-15 years to be fully amortized. AGOA’s short time horizon has made it difficult to attract major investments to Africa.

It is to be recalled that Congress renewed the AGOA third-country fabric provision in August 2012, just before its scheduled expiration in September 2012, causing much uncertainty which forced U.S. apparel importers to shift orders out of Africa (mostly to Asia), costing tens of thousands of jobs on the continent.
In order to provide the stable and predictable environment that is essential for trade to grow, it would be crucial for Congress to renew AGOA well before the end of 2014 for a period at least 15 years. This would prevent any trade disruption and loss of orders and would lay the foundation for attracting investments to ensure that the gains of AGOA are sustainable in the long term.

The AGOA Third-Country Fabric Provision Should Be Renewed for the Full Term for Which AGOA Is Extended.

The AGOA apparel program has been one of AGOA’s great success stories. But apparel exports are especially vulnerable to changes in the terms of trade, as is best illustrated by the tripling of AGOA apparel exports during 2000-2004, followed by a drop of 50% with the expiration of the Multi-Fiber Arrangement (MFA) system of quotas in 2005.

More than 90% of AGOA apparel exports are under the third-country fabric provision due largely to the inability to attract investment in upstream textile production as a result of the short-term authorization of AGOA in the past. Future success of the AGOA apparel sector, therefore, depends upon renewal of the third-country fabric provision for a sustainably long period.

The African Diplomatic Corps has requested that the third-country fabric provision should be made co-terminus with the extended AGOA to ensure coherence and to provide a reliable framework for apparel trade. The third-country fabric rule of origin is essential to the continued survival of the AGOA apparel industry. The third-country fabric rule of origin should be extended for the full term by which AGOA is renewed.

The Rule of Origin for Canned Tuna.

Africa has a small but successful tuna canning industry that provides jobs to thousands of workers, especially women. For the coastal and small island developing states of SSA, canned tuna production is an important and growing sector of the economy. Ghana, Kenya, Mauritius, Senegal, and Seychelles all have canned tuna industries. Madagascar also has a tuna canning sector, which could benefit from AGOA.

Unfortunately, it is nearly impossible for tuna canned in Africa to meet the AGOA 35% value added rule of origin, which is largely determined by the flag of the vessel that catches the fish, rather than the nation where the fish is processed and canned. Changing the AGOA rule of origin to allow the use of “non-originating” tuna that is processed in Africa would create more trade opportunities and jobs on the continent. Africa already exports canned tuna to the EU under more flexible rules of origin that permit use of “non-originating” tuna.

One possibility would be to use the change in Tariff Heading criteria to determine the origin of the canned tuna produced in the AGOA eligible countries (i.e., canned tuna is classified under a different Tariff Heading than tuna fish, so the country where the canning occurs would determine origin). An alternative would be to provide derogation for the sourcing of a specified volume of third country raw tuna (e.g., 30,000 metric tons) for production of canned tuna to be exported under the AGOA regime.
**Regional Integration and “Graduation.”**

Proposals to “graduate” more advanced AGOA beneficiaries could seriously undermine efforts to achieve greater regional integration.

The economic progress made by countries under consideration for “graduation” has also benefited the region as they tend to become the hubs upon which the less developed neighboring countries are dependent to advance their own industrial development. Removing these “hub” countries from AGOA would disrupt both regional integration and economic development of neighboring countries in the region.

Graduation should also take into account various aspects of vulnerability. Hence whilst some small island developing states (SIDS) are middle income countries, the WTO has recognized that they are the most vulnerable to climatic change, to trade shocks and to disruption of trade flows.

Any proposal to “graduate” countries from AGOA should ensure that such graduation is over a specified time frame of several years and that such graduation should result in the negotiation of reciprocal bilateral or regional free trade agreements (FTAs). Moreover, it is equally important that goods produced in the countries concerned should continue to be eligible under AGOA rules of origin for cumulation purposes.

**Trade Facilitation**

From our perspective, the Trade Facilitation Agreement concluded in Bali has the potential to complement and reaffirm the reform started on the continent to reduce the cost of doing business and to improve trade.

Trade Facilitation fits clearly in various regional initiatives in which Africa is engaged and with the ultimate objective of removing the obstacles to the free movement of goods and services and dynamising regional and continental integration.

The Trade Facilitation Agreement is also a trendsetter as it allows African countries the flexibility to choose what and when to implement and to identify technical assistance and capacity building needs.

In this regard, the setting up of the WTO Trade Facilitation Assistance Facility is a positive development which would ensure availability of technical assistance and capacity building.

Mauritius remains fully committed to implement the Trade Facilitation Agreement as agreed in Bali and has in this regard already submitted its category A notification to the WTO within the required time-frame.